

**Moving Out, Back and Up:  
International Migration and Development  
Prospects in the Philippines**



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**Edited by  
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and  
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Scalabrini Migration Center  
Quezon City - Philippines

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## Foreword

Almost four decades have passed since Filipino workers were first recruited to work in large numbers overseas. It is now appropriate to review how it came about that from the few thousands who left the country in the early 1970s, the annual outflows of Filipino workers are now exceeding a million. No other change in the country rivals these movements in their profound impact on Philippine economy and society. Today the Philippines is estimated to have a tenth of its population living and working abroad, and has more people emigrating each year for work than India which has a population almost 13 times bigger.

The migration flows from the Philippines evidently cannot be understood simply in the context of development dynamics within the country. The uneven growth of countries within the region has a great deal to do with these dynamics as growing wage and income disparities create the impetus for the cross-border movements of people. Wages in Japan are now about 16 times those in the Philippines, and those in Taiwan, China are about five times. For this same reason there are still flows of migrant labor from Taiwan, China to Japan, and from Malaysia to Taiwan, China. What is interesting to note is that there are now examples of countries which have passed from being at one time suppliers of labor in the world market to being importers (e.g., Taiwan, China, Malaysia, The Republic of Korea and possibly Thailand).

History more than geography has equipped Filipinos with easy access to labor markets in other parts of the world because they can speak English. This facility, developed through education and the continuing preeminence of the English language in social discourse within the country, conferred on Filipinos a distinct advantage in labor markets elsewhere. This advantage may have a dubious value, however, for Philippine development. The Philippines has been left behind by many of its neighbors in East Asia. It has sometimes been suggested that the country's underdevelopment and the large phenomenon of emigration by educated and skilled workers are not unrelated. Some quarters have argued that the loss of technical and managerial people is large enough that productivity of capital suffers, discouraging investments and making the country less competitive in the world market.

Since 1975 and the rise of contract labor migration to the oil-rich Gulf States, followed by movements within the East Asian region, it has been the temporary, often circular, movements of Filipino workers rather than permanent settlement in foreign countries that has dominated Philippine migration. It has already touched a large segment of

the Philippine workforce and would have already had a considerable impact on reducing supplies of skills needed for economic development. On the other hand, one can pose the counterfactual question - would the country's economic situation have been significantly worse given the political turmoil the country has gone through over the past decades since Marcos? There is indeed strong evidence that remittances have risen when the economic situation deteriorated. Remittances are sent for altruistic reasons, and rise to maintain the family's standard of living. Of course, at the macro-level we know that these remittances financed a higher level of imports than would otherwise have been possible, moved large numbers of families up from below the poverty line, and continues to provide incentives for people to invest in more education.

The present volume, which is based on the 2007 conference on international migration and development, provides an overview of the debates, opportunities and challenges facing the Philippines as it strives to develop in the face of migration. The analysis is long overdue and I commend the Scalabrini Migration Center for this initiative. Over the years, the Center has pioneered investigations into the impact of labor migration on the Philippine economy and society, on the families, especially children left behind, and on the effectiveness of various governmental policies and measures. This volume offers stakeholders much thought to advance our concerted efforts to maximize the development potentials of migration and to minimize the risks.

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This book is the result of a truly collective effort, a testament of *bayanihan* at work. The book came out of a conference with the theme, "Turning Transnational? International Migration and Development Prospects in the Philippines," which was held in Manila on 19-20 November 2007. The Scalabrini Migration Center was privileged to receive support from institutions and individuals to realize the conference and the book project. We thank the Foundation for Population, Migration and Environment and Ayala Foundation for providing funding for the conference. The Commission on Filipinos Overseas was an excellent partner in this endeavor: the unstinting support of Jose Molano, Dante Ang, Jennifer Gonzales and Golda Myra Roma is much appreciated. Special thanks are due to the Asian Institute for Management Policy Center, the International Organization for Migration, the National Economic Development Authority, and the Philippine Institute for Development Studies for their collaboration. We thank the representatives of government agencies, civil society, international organizations and the private sector for their active participation in the roundtable discussions, which were conducted prior to the conference. We are grateful to all the presenters, moderators and participants for their contributions to making the conference engaging, lively and constructive. Raúl Delgado Wise, Rodolfo García Zamora and Carlos Gonzales Gutierrez from Mexico, Charito Basa from Italy, and Manolo Abella from Thailand, made a special trip to Manila to take part in the conference.

We express our deepest thanks to the authors for their commitment and dedication to the book project and for furthering the reflection on international migration and development in the Philippines. As always, the staff of the Scalabrini Migration Center readily extended valuable support and assistance from beginning to end. Karen Liao and Hanane Benzidane provided excellent research and editing assistance. We acknowledge with many thanks the encouragement of Manolo Abella and the financial assistance of the International Labour Organization Subregional Office for South-East Asia and the Pacific - Manila, which supported the production of this book.



# 1

## Introduction

### Will Turning Transnational Foster Development in the Philippines?

Maruja M. B. Asis and Fabio Baggio  
Scalabrini Migration Center

2007 was a banner year for the Philippines. For the first time in thirty-one years, the country posted an impressive growth rate of 7.3 percent driven by strong private consumption and a surge in investments (SE-PO, 2007; ADB, 2008). In the same year, a little over a million overseas Filipino workers (OFWs) left the country to work abroad, the second year in a row in which the government met its one-million annual deployment target. Remittance receipts of US\$14.4 billion were another cause for celebration.

These milestones and their implications for the country's future were the subject of a conference, "Turning Transnational? International Migration and Development Prospects in the Philippines," held in Manila on 19-20 November 2007.<sup>1</sup> The conference had a two-fold objective:

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<sup>1</sup> The conference was spearheaded by the Scalabrini Migration Center, with the support and cooperation of the Foundation for Population, Migration and Environment, the Ayala Foundation Inc., the Commission on Filipinos Overseas, the Asian Institute of Management, the International Organization for Migration, the National Economic Development Authority and the Philippine Institute for Development Studies.

to examine how international migration and development impact each other, and to involve stakeholders in the fields of international migration and development in this assessment.<sup>2</sup> Resource persons from Mexico, another primary emigration country, shared Mexico's experience and provided insights for comparative purposes. By bringing together stakeholders in the fields of international migration and development, the conference stimulated a thoughtful assessment of international migration *and* development. Although there is a general appreciation of the links between international migration and development, the "and" part has yet to be thoroughly probed.

When the government launched the overseas program in the 1970s, it was intended as a temporary measure to relieve domestic unemployment and balance-of-payments problems. Framed as such, the recourse to international labor migration hinted at failure of development. The current policy regarding overseas employment no longer sees it as temporary and frames it instead as part of globalization and as a developmental strategy. The current policy is essentially an acknowledgment of the structural role international labor migration plays in the Philippine economy. In reference to the international migration-development nexus, the policy then and now views international migration as the independent variable and development is expected to have an impact on development. The nexus, however, also implies that development can be the independent variable and international migration as the dependent variable. This alternative approach redirects the spotlight to development as the primary goal towards which concerted efforts by the state and other stakeholders must focus on.

The conference sought to fill the missing links between international migration and development. Despite almost four decades of large-scale international migration, migration realities have not been mainstreamed in development policies. Similarly, international migration policies have not been mindful of the opportunities and risks they imply for the country's development. Thus far, the links between international migration and development implied by current policies have not gone beyond deployment and remittances. The success of the Philippines in marrying the promotion of labor migration and workers'

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<sup>2</sup> The global discussion on migration and development is mostly about international migration. It will be fruitful to consider the issues of remittances, migrants' rights, social costs, among others, in relation to internal migration in the near future.

protection has been hailed as a model of migration management. The question is: has this model of migration management contributed to sustainable development in the Philippines?

The specter of further migration also raises concerns. External factors (emigration pressures because of the uneven impacts of globalization, pull factors due to the aging populations of developed economies, and facilitative factors or greater connectivity made possible by fast and cheaper communication and travel); domestic factors (persistent unemployment, low wages); and the government's target to send a million workers every year – specifically more highly skilled workers – imply the continuation of the migration saga that started in the 1970s and the Philippines being typecast (and complacent) as a supplier of workers for the world (Asis, 2008). The question is: will more international migration contribute to sustainable development in the Philippines?

Based on the contributions in this volume, the role of international migration in Philippine development (national, local and human) has been mixed. The 8.7 million-strong Filipino diaspora, unabated migration, the links between Filipinos abroad and those at home, and the remittance transfer of billions of dollars to the Philippines, among others, reflect the transnational dimensions of the nation's social landscape. But without a coherent, coordinated and clear development policy, the opportunities generated by the country's transnational connections may be lost, and the threats they engender, if left unchecked, can reverse the country's development prospects. Some details from the series of roundtable discussions and the conference proceedings are presented below to highlight how the international migration-development is assessed in the Philippine context.

## **Notes from the Roundtable Discussions**

Eight roundtable discussions (RTDs) were carried out with stakeholders representing various clusters; the consultations were conducted between August and October 2007 (Table 1). The RTDs sought to determine the following: views and perceptions concerning the role of international migration on the development prospects of the Philippines; views, perceptions and experiences in cooperating with overseas Filipino communities; and the role that stakeholders envision their organization play (or will play) in policies or programs in the area of international migration and development. The guide questions were

provided to the participants before the consultations so that they could prepare beforehand.

TABLE 1  
ROUNDTABLE DISCUSSIONS BY CLUSTER AND PARTICIPATING INSTITUTIONS

| <b>Cluster/Convener</b>   | <b>Participating Institutions</b>  |
|---|--|
| Migration-related agencies (Scalabrini Migration Center and the Commission on Filipinos Overseas) | Overseas Workers Welfare Administration, Philippine Overseas Employment Administration   |
| Human resource development agencies (Commission on Filipinos Overseas)                            | Commission on Higher Education, Professional Regulation Commission Technical Education and Skills Authority, Technology Resource Center  |
| National development agencies (National Economic Development Authority)                           | Bangko Sentral ng Pilipinas, Commission on Population, Department of Finance, Department of Health, Department of Trade and Industry, Philippine Retirement Authority                |
| Local development agencies (Scalabrini Migration Center)  | Cooperative Development Authority, League of the Provinces of the Philippines, UP National College of Public Administration  |
| Migration-oriented NGOs (Scalabrini Migration Center)   | Center for Migrant Advocacy, Development Action for Women Network, Episcopal Commission for the Pastoral Care of Migrants and Itinerant People, Migrant Forum in Asia, Unlad Kabayan |
| International organizations (International Organization for Migration)                            | International Labour Organization, United Nations Development Program, United Nations Fund for Population, World Bank (GTZ, observer)  |
| Foundations/business (Asian Institute of Management Policy Center)                                | Ayala Foundation, Inc., Makati Businessmen's Club, Philippine Business for Social Progress   |
| Recruitment agencies (Scalabrini Migration Center)  | Representatives of three land-based agencies and one manning agency  |

Remittances were the most recognized contribution of international migration to the country, but doubts were raised about the real impact of remittances on household welfare and there were gnawing suspicions that the country has become dependent on money transfers from abroad. In general, national government agencies tended to have a more positive assessment of the country's development prospects, citing the upturn in economic indicators. There was a consensus that generating domestic unemployment is the foremost development challenge facing the country. Governance, corruption, lack of leadership and vision cited as obstacles to the road to development.

Migration agencies acknowledged that many steps must be undertaken to ensure better welfare and protection of OFWs. One major difficult was that the government does not have full control over this issue because host countries have their own laws. The target setting was defended as a reflection of the demands of the labor market. Furthermore, the target setting did not mean that workers' welfare will be sacrificed. The Department of Labor and Employment is setting its sights on quality markets. Also, the launch of the reform package in the hiring of household workers (which, among others, increased the monthly minimum wage from US\$200 to US\$400) was a major step to improve the working conditions of migrant workers. It was also acknowledged that labor migration policies should be integrated with development policies. The Korean model – which exported not only labor but also their product and technology – was mentioned as an example of labor export with development strategy. The incorporation of development cooperation in negotiations with destination countries was a proposal that received approval; this has been started with the memorandum of agreement signed with some provinces in Canada.

The consultation with the human resource development agencies cluster provided an opportunity to the participants to learn about the programs of other agencies. The Commission on Higher Education (CHED) has imposed a moratorium on the opening of new programs in nursing and maritime education. CHED's program called Expanded Tertiary Education Equivalency and Accreditation Program (ETEEAP) can be of interest to returning OFWs who had not completed a college degree. The program recognizes certified experiences of persons (including OFWs) which may be credited towards a degree. The Technology Resource Center (TRC) does not have a specific program targeting OFWs; previously it partnered with OWWA in the "Kabuhayan 2000," but this was not sustained. TRC has been invited by some Filipino

groups abroad to provide their members with livelihood training. The transfer of the TRC to the Department of Science and Technology (DOST) may enable it to provide training in the regions through DOST offices. The TRC's experience in cooperating with local government units helped in reaching a larger audience for its livelihood and business training programs. TRC suggested that a subject on entrepreneurship be included in the curriculum to introduce students to options outside of paid employment.

Based on economic indicators in 2006 (which were available at the time of the RTDs in 2007), the National Economic Development Authority was upbeat about the economic prospects of the country. The main reason for its optimism derived from the following indicators: "a much improved fiscal position,<sup>3</sup> inflation rate is on downward trend despite oil price volatility, low market interest rate environment with bank lending starting to pick up, a healthy external position, and a stronger peso and a substantial level of foreign exchange reserves."<sup>4</sup> Although macroeconomic fundamentals are in place, the challenge is how to sustain the favorable economic performance. Among the development challenges that the country continues to wrestle with are the need to improve governance, curb the high growth rate, and improve the performance of the agricultural sector. The development picture at the sub-national level indicates regional disparities. With the devolution of basic social services to the local government units, local government units need to practice greater fiscal discipline.

The Department of Health (DOH) shared that nurse migration has had an impact on health delivery. Also, the demand for nurses abroad has dampened the interest in physician training; the nurse medic phenomenon (i.e., doctors studying to become nurses) has also lessened the supply of medical doctors. The DOH and the Philippine Charities Sweepstakes Office jointly implement the "Pinoy M.D. Program," which funds 100 students in the medical program, but only 50 places are filled every year. As far as the supply of nurses is concerned, there is sufficient supply; what is at risk of shortage is the supply of experienced nurses. The DOH formulated a Human Resource for Health

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<sup>3</sup> According to the NEDA report, the country's balance of payments (BOP) started to post a surplus in 2005. At the time of the RTD, the US\$3.8 billion surplus in 2006 was the highest level of BOP surplus since 1999, the year when the BSP adopted a new framework for the BOP compilation. Remittances were a factor in driving the surplus.

<sup>4</sup> From a report prepared by NEDA for the RTD.



Master Plan, a 25-year plan to support management and development of human resources in the health sector. This Master Plan can be a useful reference in the formulation of a similar instrument for other sectors. The DOH calls for managing the migration of health personnel, the elements of which should include ethical recruitment, protection of migrants, and compensation by way of training and equipment support. More efforts are needed to facilitate the re-entry of health professionals and to tap their experience and expertise. The reintegration program thus far emphasizes the re-entry of health professional as entrepreneurs.

The Commission on Population cited the economic contributions of OFWs as a factor contributing to the country's development prospects; it also saw overseas employment as a means for Filipino families to improve their economic conditions. Owing to the country's high population growth rate (2.3 percent), the government is hard pressed to provide employment opportunities and to meet basic services. The lack of local employment opportunities compel Filipinos to work abroad, with painful social consequences. Reintegration programs, policies concerning skilled migration, and policies concerning permanent migrants can be elaborated further to maximize their development potentials.

The Department of Trade and Industry-Board of Investments (DTI-BOI) shared NEDA's optimistic outlook about the development prospects of the Philippines. As the country's lead investment promotions agency, the BOI identified investments in retirement facilities and healthcare and wellness services among the 2007 Investment Priorities Plan, which was approved by President Arroyo in June 2007. These two areas took into account the increasing number of retirees in countries such as Japan and South Korea and the country's competitive advantage in the services sector. The OFW sector was identified in the DTI's Roadmap for 2005-2007 "as a trade promotion agent, channel of distribution, source of capital, network of business intelligence, and as a market for Philippine products." For returning OFWs, the DTI has developed the Small and Medium Enterprise Agenda for OFWs which provides information on business and investment opportunities in the Philippines.<sup>5</sup>

The *Bangko Sentral ng Pilipinas* is the main agency monitoring remittance transfers arising from the cross-border movements of Filipi-

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<sup>5</sup> From a report prepared by the DTI-BOI for the RTD.

nos. Between 1996 and 2006, the share of remittances as a percent of GDP jumped two-fold from 5.2 percent to 11 percent. To improve the remittance environment, the BSP has endeavored to: facilitate the flow of remittances through formal channels, encourage the banks to lower remittance charges, and encourage the beneficiaries to channel their savings to investment instruments and entrepreneurial activities. The BSP forecast that “remittances will continue to be a significant force in the Philippine economy over the medium term.”<sup>6</sup>

The mandate of the Philippine Retirement Authority (PRA) is to promote the country as a retirement destination targeting former Filipinos and foreign nationals. While other Asian countries, such as Thailand and Malaysia, offer Long-Stay Program, which is usually for three years, the PRA’s offer is lifetime stay in the country. The agency has proposed a brain gain program, wherein, for a minimum investment of US\$15,000 returning retirees may avail of a special lifetime visa. The PRA has signed a Memorandum of Agreement with the National Reintegration Center for OFWs to cooperate on some programs.

In the RTD with local government agencies, lack of resources was mentioned as a foremost obstacle in promoting development. The provinces have developed on their own, except in the area of health, which local governments cannot adequately fund. Bohol was mentioned as having an initiative to link with overseas Filipinos. Examples of provinces with programs dealing with labor migration were not known.

The challenge of reintegration was a major concern in the consultation with the migration-oriented NGOs. They were not clear about the programs and thrusts of the National Reintegration Center for OFWs. Participants lamented the lack of mechanisms to harness the skills and expertise migrants bring with them which can benefit the country. Some NGOs engaged in reintegration programs commented on the lack of government support for product development; also missing are incentives that would encourage migrant workers to invest. The government should strengthen a number of sectors where the Philippines could have an advantage – information and communication technology, health and wellness, creative media, education and tourism. The full potentials of these alternatives have not been explored; they perceived the government as aggressively pursuing labor migration. They saw nurse migration as having an adverse impact on health delivery.

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<sup>6</sup> From a report prepared by the BSP for the RTD.

They recommended that there should be a regular forum to thresh out migration and development issues.

The issue of brain drain was a major concern that came out in the consultation with the international organizations (this also surfaced in the RTD with foundations and business). Several organizations mentioned that the retention of the highly skilled and professionals (not just nurses and health personnel) was critical for the development of the Philippines; they also stressed the need to identify measures that will transform brain drain into brain gain. The pursuit of a rights-based approach to protect the rights of migrants in less-skilled occupations was critical. They lauded the recent efforts of the Philippines to elevate the minimum conditions in the hiring of household workers. They noted that unchecked population growth was posing an obstacle in the country's development, especially in the arena of jobs generation. For them, urgent steps to address population growth had to be undertaken. The country can hardly keep up with the growth in the labor force population, despite the relief offered by overseas employment. One recommendation from the RTD with foundations and business was the formation of a research advisory group that will engage with government agencies to contribute in policymaking.

The recruitment sector was very skeptical about the development prospects of the country. From their perspective, overseas employment was the lone bright spot for the country's development prospects. One participant remarked that the recruitment agencies were not just in the business of recruiting and placing workers with employers; rather they were "wealth creators." Participants said that the government was not serious in its reintegration programs. Several participants shared examples of working with migrants and their families, which revealed the practice of social responsibility of the recruitment sector.

## Notes from the Conference

The keynote address of President Gloria Macapagal-Arroyo, which was read on her behalf by Labor Secretary Arturo Brion, underscored the government's aspiration to achieve development and to spread its benefits to create jobs for Filipinos within the Philippines. Development will usher in overseas employment as a career option rather an imperative. Her message also touched on the need to prepare for the return of OFWs. She envisions the recently established National Reintegration Center for OFWs as an instrument to close the migration cycle by offer-

ing programs that will promote brain gain and enhance the earning capabilities of returning migrants. She also cited the bilateral negotiation with Saskatchewan which included cooperation for youth training in the Philippines; similar provisions are expected in the negotiations with Manitoba, British Columbia and the federal government of Canada.

The presentations and discussions during the two-day conference identified key messages from which recommendations can be culled for enhancing the contributions of international migration to development.

### *Key Issues*

Although macro indicators in recent years suggest economic growth, unemployment is still a primary development challenge in the Philippines in general, and a major driver of overseas employment. The unemployment problem has several facets. The economic growth the country has experienced has been a jobless growth. Another consideration is high population growth - although jobs may be generated, these are not sufficient to keep up with the growth of the labor force: every year, some 1.3 million job seekers are added to the labor market. The Philippines' two percent growth rate (2.3 percent in some reports) is among the highest in Asia, and the highest among labor-sending countries.<sup>7</sup> Against this demographic backdrop, the deployment of Filipino workers does not make a significant dent in unemployment (also, a large part of annual deployment involves rehires). Another facet of the unemployment challenge is the problem of jobs-skills mismatch. There is a demand for workers in certain jobs and industries, but jobseekers are not equipped with the requisite competencies. In view of these factors, overseas employment has become the preferred if not the only option for many Filipinos. While the government does have the duty to uphold the right to migrate, above all, it should be committed to ensuring the right of people to stay and/or to return.

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<sup>7</sup> The Philippines' annual growth rate of 2.0 percent (same as Nepal's) is also the highest compared to other labor-sending countries in Asia: Indonesia, 1.2 percent; Thailand, 0.5 percent; Vietnam, 1.4 percent; Bangladesh, 1.7 percent; India, 1.5 percent; Pakistan, 1.8; Sri Lanka, 1.1 percent (ESCAP, 2007).

Governance problems, both at the national and local levels, were identified as obstacles to moving forward. Corruption, inefficiency, and lack of will were mentioned as particularly problematic areas.

International migration realities have implications for development which must be integrated and mainstreamed in the development policies and programs of the national government and local governments. Conversely, international migration policies need to consider the development implications of international migration patterns and policies.

International migration can contribute to development, *but* the development potentials of international migration are not automatic or inevitable. Lessons from former emigration countries and data from the experiences of sending countries that are known to benefit from international migration show that other policies and programs were in place, which triggered and sustained economic growth and development. The more successful countries did not develop based on remittances alone, or in relying on sending their nationals to work overseas.

International migration can pose some risks and threats which can derail the development prospects of the Philippines.

- In view of the increasing share of skilled and professional Filipinos leaving for overseas employment, the possibility of brain drain was raised anew. There are indications that the out-migration of nurses is adversely affecting the health care system in the Philippines. While there is enough supply of nurses in the country, there is a shortage of nurses with specialization and experience. With an eye on jobs abroad, the Philippines is becoming a “halfway house” for many nurses who accumulate enough work experience to help them land a job abroad.
- Continuing and more prospects of international migration from the Philippines may have implications for the country’s stock of human resources. Current trends in post-secondary education suggest that the Philippines’ future human resource pool may be skewed in favor of certain skills and coupled with severe shortage in other skill areas. For example, the country has some 550,000 registered seafarers, of whom some 300,000 are unemployed. Enrollment in nursing programs has soared in view of job prospects overseas. The career planning of Filipinos has become attuned to the needs of the global labor mar-

ket, and educational institutions have readily responded to support career-cum-migration intentions. Industry studies are needed to map out current and future needs vis-à-vis current and future supply of skills.<sup>8</sup>

- The government's plan to deploy more highly skilled and professional migrants, which is posited as less risky and as a source of brain gain, needs further study. The needs of the domestic labor market must not be neglected. Aside from experienced and trained nurses, the country is losing other highly skilled people, including managers. The optimism that brain drain may be transformed into brain gain must be tempered. Since highly skilled and professional migrants are offered residence (and citizenship) by receiving countries, the Philippines may "lose" them altogether. Drawing on lessons from other countries, it is sounder to go for interventions that will retain the highly skilled; it is more difficult to attract them back and to return to the Philippines permanently.

International migration carries social costs, particularly for migrants (especially for women migrants who are concentrated in unprotected sectors) and their families. This consideration should not be left out in the analysis of the international migration-development nexus, and the protection and promotion of migrants' rights should be an essential part of the country's international migration policy.

Remittances have become an important pillar of the Philippine economy. The contributions of remittances to the country's macroeconomic stability are acknowledged by all stakeholders. Strides have been made in increasing the use of formal channels and in lowering transaction costs. There are concerns about the use of remittances for non-productive purposes and financial literacy programs have been launched by various government organizations and NGOs to promote the productive use of remittances. These information/education programs directed at families must be matched by policies and programs that will maximize the benefits of remittances to the larger community.

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<sup>8</sup> The 2006 National Employment Summit identified current and future demand for jobs in selected sectors. The top three are in agribusiness, ICT and hotel/restaurant (from the report prepared by the Technical Education Skills Development Authority for the RTD).

Concerns were raised about moral hazards and the Dutch disease, which must be addressed.

Although they are not as widely documented, other remittances (collective remittances, social remittances) from overseas Filipinos are contributing to social programs in the Philippines in partnership with local institutions (government agencies, NGOs, and migrants' associations). Mexico's experience in engaging with its diaspora population offers some important lessons for the Philippines.

In the area of migration-related policy directions, some recent trends appear promising:

- The refocus on reintegration must be sustained and fine-tuned to make return migration a real choice and option for migrants. Previous reintegration programs were focused on turning migrants to become entrepreneurs. Other alternatives should be examined, such as how the skills and knowledge of returning migrants can be harnessed in the domestic labor market.
- Measures to enhance evidence-based policy directions have been taken to address nurse migration. The Department of Health has undertaken/plans the following: the development of the Human Resources for Health (HRH) Master Plan, the formation of a multi-agency/intra-sectoral HRH Network, and the conduct of the HRH stock survey nationwide. Similar efforts may be useful in assessing the migration of other highly skilled and professional migrants in other sectors.
- The incorporation of development in bilateral negotiations with Canada presents an added value to the usual bilateral agreements or memoranda of understanding.<sup>9</sup>

There is a need to expand the country's international migration policy to consider the various types of international migrants *from* the

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<sup>9</sup> In the reaction of POEA Administrator Rosalinda Baldoz (the statement was read on her behalf by Hans Leo Caddac) to the presentation of Federico Macaranas Jr., she said that provisions concerning human resource development and reintegration programs in have been incorporated in recent bilateral negotiations with Canada (e.g., the 2006 memorandum of understanding with Saskatchewan includes cooperation for youth training). POEA is also encouraging employers and the private sector to contribute to development-oriented programs.

Philippines. The overseas Filipino population is not solely composed of OFWs; it also includes other temporary migrants as well as immigrants and permanent settlers. Also, the opportunities and threats attendant to international migration *to* the Philippines require further study.

The directions and thrusts mentioned above require data and research. There is need to mainstream research in policy/advocacy-making: the creation of a research council or a regular forum between these stakeholders is proposed to enhance the use of research in policymaking and advocacy.

The answer to the question posed by the title is: the country's transnational connections can foster development, but this will not be automatic. The employment opportunities, money transfers, and social remittances from international migration cannot substitute for sound, coherent development policies.

## **Organization of the Book**

The preceding discussions also serve as an introduction to the topics and themes of the articles included in this volume. The contributions were either presented at the conference or were elaborated based on issues that surfaced in the conference discussions. In all, the articles offer readings of the international migration-development nexus in the Philippines through the lens of research, policy, and advocacy and action.

The articles by Aniceto C. Orbeta, Jr., Michael M. Alba and Maruja M.B. Asis examine the economic and social impacts of international migration and development based on existing research. Orbeta and Alba both tackle the much-discussed topic of remittances – the former reviews the methodological issues of extant research on remittances and their bearing on empirical evidence and analysis while the latter closely reviews the different motives behind remittance behavior. Both emphasize the need for modeling specification, which require more data, in order to craft well-calibrated policies. Asis offers a summary of research findings on the social dimensions of international migration which have implications for the pursuit of development goals; her article also outlines data challenges and international migration-development issues which need further study.

The policy paper by Fabio Baggio notes that there seems to be more disconnect rather than nexus in the formulation of international migration policies and development policies in the country. A plea for policy



coherence and more coordination and engagement among the different stakeholders is sounded off as a way to move forward. The contribution of Fernando T. Aldaba and Jeremaiah M. Opiniano elaborates on various policy options to maximize the realization of development potentials from the country's international migration experience. Golda Myra R. Roma's article on the Commission on Filipinos Overseas' initiative to harness resources from overseas Filipinos to support development projects in the country demonstrates the potential role that transnational communities can play in the home country.

The international migration and development agenda has thrust migration-oriented NGOs, which were and continue to be identified with the rights agenda, into a new arena which require engagement with new actors and new competencies. The articles by Ildefonso F. Bagasao and Estrella "Mai" Dizon-Añonuevo deal with these issues.

The accounts by Charito Basa, John Richard Simon Alayon and Leila Rispens-Noel provide further examples of the transnationalization of the Filipino value of *bayanihan*. All three articles provide a view of migrant giving by overseas Filipinos in different contexts: Alayon writes about the Filipinos in New Zealand; Basa discusses the Filipino community in Italy; and Rispens-Noel tells of the virtual or cyber community of town-mates scattered in different parts of the world. All three articles also point to the challenges of planning, implementing and monitoring projects involving transnational actors.

The final two articles are contributions dealing with the Mexican experience. The Philippines and Mexico share some similarities – both are the top countries of origin and they are also among the largest recipients of remittances – but they also differ in some respects (Castles, 2008). The article by Raúl Delgado Wise and Humberto Márquez Covarrubias discusses the precariousness and dangers of a remittance-led development. Rodolfo García Zamora's analysis of hometown associations and the evolution of partnership between migrants' associations and government institutions (and recently, also the private sector) also provides instructive notes for the Philippines. We hope to continue the sharing of experiences and forging of cooperation among South countries to develop new modes of analysis and perspectives and to build cooperation based on genuine partnership.

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# **Economic Impact of International Migration and Remittances on Philippine Households:**

## **What We Thought We Knew, What We Need to Know**

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### **Introduction**

International migration continues to be an important component of Philippine development and much more so among households with migrant workers, the proportion of which is steadily increasing. As testimony to the importance of international migration, the Philippines is known to have one of the most elaborate systems of institutions managing migration flows in the world. This is hardly surprising considering the volume of migrants and the impact of remittances on the

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\* This paper has benefited from the comments of Edita Tan, Stella Go and participants in the conference. All remaining errors, however, remain the sole responsibility of the author.

economy in general and migrant households in particular. As of December 2007, the Commission on Filipinos Overseas counted some 8.7 million overseas Filipinos, which comprise nearly 10 percent of the population (Commission on Filipinos Overseas, 2008). Data from the *Bangko Sentral ng Pilipinas* also recorded remittance inflows through formal channels at around US\$14.4 billion in 2007 (*Bangko Sentral ng Pilipinas*, 2008). This is clearly understated given the extent of flows through the informal channels. This is also bigger than the contribution of many traditional industries. As an offer of gratitude for their help in keeping the economy afloat in times of economic crises, overseas Filipino workers (OFWs) are often officially referred to as modern heroes. Finally, as if to dramatize the impact of OFWs some villages are already named after destination countries of original inhabitants, e.g. Little Italy. Research on the impact of migration on different aspects of the Philippine economy has started to pour in. There is therefore a need to take stock and appreciate the knowledge we already have and to identify unresolved issues in understanding the impact of migration and remittances on Philippine households.

Owing to the potentially wide coverage, the discussions in this paper are confined to the economic impact<sup>1</sup> of migration and remittances on households. It further limits its coverage to studies that use large-scale nationally representative datasets which are expected to provide more generalized and presumably more reliable results. The review considers the research findings in relation to the methodologies used in the analyses. This perspective is important especially in assessing conflicting results. Understandably, differences in analytical results can arise because of varying definitions and coverage, but more importantly this can also reflect differences in analytical methodologies which are valid only under specific assumptions. Making explicit the assumptions behind the methodologies is what this paper focuses on, and with this background, the reader is then guided in making his or her own assessment of the research results.

The paper is organized into three parts. First, a review of the methodologies for identifying the impact of migration and remittances on household welfare is presented; this is followed by a review of empirical findings arranged according to the following household outcomes: (a) expenditures, both total and shares of specific items, (b) human capital investments, (c) labor supply, (d) household investments, and (e)

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<sup>1</sup> Those interested on the social impacts, see Asis (in this volume).

poverty; and the final section summarizes and identifies research issues.

## Review of Methodological Issues

The validity of the claims of any study depends on the data and methodology used in the analyses. This section discusses the methodological issues surrounding the analyses of the impact of migration and remittances on household welfare. It provides a review of methodologies used in order to highlight what assumptions are required to make the analyses valid. As mentioned earlier, the review is limited to studies employing large-scale nationally representative data.

*Comparison of means or proportions.* A common method used in determining the impact of migration (or remittances) is the comparison of means or proportions of outcomes of interest for migrant and non-migrant households. This method assumes that migrant and non-migrant households are randomly assigned as in a controlled experiment or arranged equivalently so that their characteristics (particularly those that are expected to affect the outcome of interest) are identical. This is hardly so. When characteristics are different, the outcomes are expected to be different apart from the one arising from the difference in migration status. It would be difficult then to be certain whether the differences observed result from the difference in migration status or because of the difference in some other characteristic.

*Multivariate models.* To control for the differences in characteristics, multivariate models are used. Besides the migration variable which is designed to capture the differences between households with and without migrant, other explanatory variables are added to control for the differences in these relevant characteristics. The common specification (e.g., McKenzie, 2005) used is:

$$(1) \quad Y_i = \alpha + \beta * M_i + \lambda' \mathbf{X}_i + \varepsilon_i$$

where

Y = outcome of interest

M = dummy for the presence of migrants in household (or household receiving remittances); 1= yes, 0=otherwise

X = vector of other relevant migrant and/or household characteristics

The problem with this specification is that often the variables that are posited as determinants of the outcomes of interest (Y) are also the same determinants of the migration (or remittance) variable (M). If they are, then the error term is related to the explanatory variable M, i.e., there is an endogeneity problem. Ignoring this problem and using estimation procedures that do not correct for this problem (e.g., ordinary least squares or OLS) will result in inconsistent estimates.

*Instrumental Variables.* To correct for the endogeneity problem, instrumental variables (IV) estimation is often used. This will yield consistent estimates in the presence of endogeneity. The basic problem with instrumental variables is finding the right instrument – a variable that affects migration or remittances but does not directly affect the outcomes of interest except the effect through migration or remittances. Emerging to be a popular instrument for migration is past migration streams (Woodruff and Zenteno, 2001; McKenzie, 2005; Lokshin et al., 2007). The justification is that past migration streams have network effects that facilitate current migration streams and being a product of past decisions it is exogenous to current migration flow. This variable, however, cannot be effectively used as an instrument for remittances. Doing so is tantamount to assuming that all effects of migration are only through remittances – a strong assumption to make. Exchange rate shocks between destination countries and origin countries have the important properties of being positively correlated with remittances and of being exogenous to households – two properties of a good instrument (Yang, 2008; Yang and Choi, 2007; Yang and Martinez, 2005). Yang (2008) finds that the elasticity of exchange rate shocks on remittances is 0.60. The exchange rate shocks are obviously not within the control of the migrant household and hence exogenous. Yang and Martinez (2005), in particular, used either the exchange rate shock directly as the proxy variable for remittances or as an instrument for the remittance variable.

*Natural Experiment.* Yang (2008), Yang and Choi (2007), and Yang and Martinez (2005) used foreign exchange shocks arising from the Asian financial crisis as a natural experiment to identify the causal effect of remittances on household outcomes. It was reported that the crisis brought about the rise of the US dollar and the currencies of the main Middle Eastern destination countries by as much as 50 percent against the Philippine peso. They used variations in the size of the exchange rate shock, which is expected to be different for each destination country, before and after the crisis to determine the impact of migration on household outcomes in the migrant's origin household. The appreciation of the migrant's destination country currency against the Philippine peso is a positive income shock for the migrant's origin household which should increase remittances. As mentioned earlier, Yang (2008) finds that the elasticity of exchange rate shocks on remittances is 0.60.

*Matching.* Another way of dealing with the endogeneity problem is through matching. The idea is to find a household that has no migrant worker(s) (or is not receiving remittances) and is virtually identical to a household that has a migrant worker (or is receiving remittances based on relevant characteristics). In essence, the procedure tries to mimic the randomized experiment result by matching through observable characteristics rather than random assignment. Due to the dimensionality problem, the most common application uses propensity score matching rather than direct matching methods (Rosenbaum and Rubin, 1983, 1985). Under certain assumptions (see Rosenbaum and Rubin, 1983), propensity score matching achieves the properties of direct matching. It should also be noted that since matching can only be done through observable characteristics, unobservable factors are not controlled in the analysis.

*Unobserved household characteristics.* Unobserved household characteristics that play important roles on outcomes of interest (e.g., motivation, ability, attitudes toward risk and concern for children) are also a problem. If one can assume that these characteristics are time-invariant and one has panel data, it is possible to use first-differences to neutralize the effects of these variables. Yang (2008), Yang and Choi (2007) and Yang and Martinez (2005), for instance, used a panel household survey data to purge any association between exchange rate shocks and time-

invariant household characteristics. When time-invariance is not tenable as an assumption, there is no other recourse but to estimate a dynamic model assuming appropriate data are available.

## **Impact of Migration and Remittances on Household Outcomes**

### *Migration, Remittances and Household Expenditures*

Remittances are additions to household income and are expected to alter household expenditures. This effect is not only limited to the total consumption expenditure but is also expected to affect the distribution of the different expenditure items as well. Thus, the interest is not only to find out whether general consumption expenditure increases with migration or remittances but also to find out if the expenditure pattern is altered in desired ways. The basic expectation from economic theory is that remittances increases income and are expected to increase the demand for normal goods. The estimation results show mixed results. Simple comparisons of levels and expenditure shares show positive impact on total consumption expenditures (implying lower savings given income) of remittances. It also shows higher expenditure shares in housing education, recreation services and durable goods in remittance-receiving households compared to non-receiving households. Comparison of expenditure elasticities between remittance-receiving and remittance non-receiving households shows higher expenditure elasticities in remittance-receiving households in housing, education, health care, durables, transportation and communications but lower elasticities for food regularly eaten outside the home, alcohol and tobacco. These differentials in expenditure elasticities between remittance-receiving and non-receiving households are also found to vary across the range of expenditure shares. However, another multivariate model estimate of the impact of remittances on total expenditures also shows insignificant impact contrary to results mentioned earlier even if it also found to result in increases in expenditure on education and durable goods.

Tullao, Cortez and See (2007) did simple comparisons of the level of consumption between households receiving and not receiving remittances. They also estimated Engle functions relating expenditures shares and total expenditures plus controls for other household charac-



teristics for remittance-receiving and remittance non-receiving households separately. The simple comparisons show higher consumption expenditure for remittance-receiving households. It also finds higher allocation for housing, education, health care and recreation services. The proportion of households with amenities such as television sets, refrigerators, and washing machines is, as expected, higher among household-receiving remittances. The expenditure elasticities generated from the Engle function estimates substantially validated the results from the simple comparisons, i.e. higher expenditure elasticities for those with remittance income for housing, education, health care, durables, and transportation and communications.

Tabuga (2007) estimated the impact of remittances on household expenditures using the Family Income and Expenditure Survey (FIES) 2003 and the Engle curve formulation, relating shares of expenditure to total expenditures/income augmented by household characteristics and a remittance receipt dummy. A distinct contribution of this paper are quantile regression runs which provide estimates of the remittance impact on the range of expenditure shares rather than just the mean impact given by OLS. The study finds that with remittances, households allocated more to consumer goods and leisure. It finds that remittance induces households to spend more on education, housing, and durable goods. It also finds that it does not induce households to spend more on vices like tobacco and alcohol and on food regularly eaten outside.

The quantile regression estimates show that the impact of expenditure shares on food is negative, but the impact for those with higher expenditure shares yields a larger negative—2.5 times more than the smallest. This means that remittance receipts cause larger negative changes for those with larger food shares (poorer households) compared to those with smaller (richer households) food shares. A similar pattern is found for dining out and gifts. The study finds a larger positive impact on remittance receipts for those with large expenditure shares on education, health, consumer goods, fuel, communication, household operations and durables. For housing, minor repair and leisure, the expenditure impact of remittances is about even across different expenditure shares.

Using the exchange rate shocks as indicator for changes in remittances, Yang (2008) finds no indication that total consumption expendi-

ture<sup>2</sup> is affected by changes in remittances. He, however, finds positive impact on potentially investment-related disbursement, particularly, education and on ownership of durable goods such as television sets and vehicles.

Except for the disagreement on total consumption expenditures, the studies appear to agree on the positive impact of remittances on expenditures on specific household goods. As argued earlier, the simple comparisons in Tullao, Cortez and See (2007) assume that migrant and non-migrant households are identical except for their migration status. To the extent that this is not so will bias the result of the comparisons. The expenditure elasticities computed from the Engle curve calculation both in the studies of Tullao, Cortez and See (2007) and Tabuga (2007) will be also affected by the endogeneity of migration/receiving remittances to the same variables affecting expenditure shares. OLS estimation in the presence of endogeneity will yield inconsistent estimates. Only Yang's study (2008) is free from these problems.

### *Migration, Remittances and Human Capital Investments*

Human capital investment is an important development concern. It is widely recognized as an important pathway for getting out of poverty and at the same time considered as one of the direct measures of or among the basic ingredients for achieving personal well-being. Research comparing the expenditure shares on education and health shows higher expenditure shares for remittance-receiving households compared to non-receiving ones. Expenditure elasticities are also found to be higher for remittance-receiving households. These indicate that migration and remittances redound to higher human capital investments.

Comparing the share of education to total household expenditures, Tullao, Cortez and See (2007) find that households receiving remittances have higher shares compared to those without any remittance income. The computed expenditure elasticities from the Engle curve estimates are also found to be higher in remittance-receiving households compared to those who have none. This indicates larger responses on education expenditures to changes in income among remittance-receiving households.

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<sup>2</sup> This is net of expenditures on education, durable goods or capital investment in household enterprises which he considers investment.

Tabuga (2007) also finds that remittances have a positive impact on expenditure elasticities on education and medical care using Engle curve estimates. In addition, her quantile regression estimates show an increase in the differential response the higher the share of education and health on household expenditures. Since richer households are known to spend more on education and health, this result indicates that remittances may be contributing to rising inequality on human capital expenditure across households.

Using an entirely different approach, Yang (2008) also finds positive impact of remittances (indicated by favorable exchange rate shock) on education investments. He particularly finds a positive impact on education expenditures with an elasticity of 0.55. Furthermore, his analysis shows that remittances increase the likelihood of being a student as the main activity and decrease the hours worked in the past week for children 10-17 years. Gender differences also surfaced – the increase in likelihood of being a student is significant only for girls, while the decline in hours worked is significant only for boys.

As earlier indicated, estimating an Engle curve with a remittance dummy as one of the explanatory variables without making corrections for the endogeneity of the remittance dummy will result in inconsistent estimates. Even if we did not find conflicting results as all estimates point to a positive impact of migration on education expenditures, inconsistent estimates are by nature giving us coefficients that are suspect. In order to be confident on the estimates, the endogeneity issue needs to be addressed. Yang (2008) was able to deal with this problem by using a natural experiment.

### *Migration, Remittances and Labor Force Supply*

The impact of migration on the labor supply (labor force participation and labor hours) of family members left behind is an important consequence for migration. Questions often arise on whether migration is generating a culture of dependence among those left behind, which is expressed in terms of delays in joining the labor force or being pickier in the jobs they apply for or choose. It is well known from economic theory that since leisure (e.g., not working or working less hours) is a normal good, higher remittance income will not only increase the demand for consumption goods but the demand for leisure as well. Whatever labor supply responses households will have on migration and remittances can be considered as outcomes of rational decisions. If

the dependence claim can be substantiated, this will mean inefficiency resulting to a negative impact on the current and future growth of output. To show this, one needs to compare identical households who only differ in terms of their migration status. Papers analyzing this phenomenon which are reviewed here have conflicting results. This is most likely because of the differences in methodology and focus. The first two studies used simple comparisons of proportions while the three other studies employed multivariate methods. The studies employing both simple comparisons and those employing multivariate studies which control other variables affecting labor supply decisions have conflicting results. This means that the impact of migration and remittances on labor supply decisions is not a settled issue, to say the least.

Tullao, Cortez and See (2007) studied the impact of remittances on labor force participation and employment. Comparing the labor force participation and employment rates of households receiving to those not receiving remittances, they find that labor force participation rates and employment rates are generally lower. The paper mentions the FIES as the primary data source but did not describe clearly how labor force participation and employment rates were computed (see also comments in Ducanes and Abella, 2007a). It should be noted that data in the FIES are at the household rather than at the individual level. It is therefore difficult to ascertain whose labor force participation or employment is being compared. Testing for the significance of the difference in the comparisons could have validated whether the observed differences are statistically significant or not. Unfortunately, this was not done by the authors.<sup>3</sup>

Attempting to improve on the comparison done in Tullao, Cortez and See (2007), Ducanes and Abella (2007a) compared the labor force participation and unemployment rate of households with and without OFWs using several rounds of the Labor Force Survey (LFS). They dealt with working age household members and used the presence of OFWs rather than the receipt of remittances as the indicator of migration. They found that the labor force participation rates of household members with and without OFWs are virtually the same. They argued further that if one removes those going to school<sup>4</sup> from the sample, the

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<sup>3</sup> A keen observer could have done this. Unfortunately the standard errors of the estimates are not provided.

<sup>4</sup> Going to school should not be considered as a form of dependence.

labor force participation of those with OFWs is consistently higher. They also pointed out that if one considers that households with OFWs are richer, expect lower labor force participation rate from households with OFWs according to the well-known backward bending labor supply curve, which can be expected (see Rodriguez and Tiongson, 1991). This result strengthens the argument against the claim that migration lowers the labor supply of household members remaining behind.

Turning to studies that employ multivariate methods, Rodriguez and Tiongson (2001) used probit analysis to study the impact of the presence of OFWs and the receipt of remittances on the labor force participation of non-migrant relatives in the household. Using data from households in Metro Manila<sup>5</sup> in 1991, they found that households with migrant workers tend to have lower labor supply. Estimates indicated that labor force participation declines by up to 18.5 percentage points for men and only 5.7 percentage points for women, if migrants have tertiary education. They explained that this is a rational response of migrants' relatives having increased income and thereby demanding more leisure. Furthermore, an increase in remittances results in both men and women reducing working hours. The effect, however, is small and slightly stronger for men than for women. An additional thousand pesos in per-capita remittances reduces the chance of working by 0.2 percentage points for women and 0.3 percentage points for men.

While Rodriguez and Tiongson (2001) were not particular about whose labor supply decision is affected by migration and lumped together non-migrant household members, Cabegin (2006) focused her study on the impact of migration on the labor supply decision of non-migrant spouses in the prime ages, i.e., 25-54 years old. The study used matched data of the 2003 FIES, LFS and SOW. She found that indeed migration significantly alters the labor supply decision of the non-migrating spouse and that the mechanisms are different for wives and husbands. The findings also indicated that the impact of the presence of children is more pronounced for wives while larger remittances have marked effects on husbands.

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<sup>5</sup> Rodriguez and Tiongson (1991) argued that due to computational cost of matching the Survey of Overseas Workers (SOW), the Labor Force Survey (LFS) and the Family Income and Expenditure Survey, they were constrained to confine their sample to the National Capital Region (NCR). They argued that the NCR anyway has the highest incidence of out-migration and accounts for most of the migrants overseas (Rodriguez and Tiongson, 1991: 715).

Based on the results from the multinomial probit estimates,<sup>6</sup> she found that with the presence of school age children (7-14 years) wives in migrant households are 28 percent less likely to hold a full-time job and 26 percent more likely to be unemployed compared to wives in non-migrant households. There is no significant difference on the impact for husbands in migrant and non-migrant households. The presence of young working age children (15-24 years) results in 12 percent higher probability of self-employment and 19 percent lower probability of full-time employment for wives in migrant compared to non-migrants households. Again, there was no significant difference for husbands between migrant and non-migrant households. Finally, no significant differential impact was found for the presence of pre-school age children (less than seven years) in migrant and non-migrant households. In the case of remittances, higher contribution to household income decreases the husband's participation in full-time employment. An increase of the wife's contribution to household income by P10,000 reduces the likelihood of taking a full-time job by 12 percent and increases the likelihood of non-employment by six percent compared to non-migrant households. On the other hand, an increase in husband's contribution by P10,000 will result in a decline in the likelihood of wives taking on full-time employment by four percent in migrant households compared to non-migrant households.

Using the Asian financial crisis as a natural experiment to study the impact of remittances (as indicated by a change in the exchange rate) on total hours worked by all household members, Yang (2008) found that increases in remittances have no impact on total hours worked, although there is significant positive impact on hours worked on self-employment. A one percentage favorable exchange rate shock increases hours worked on self-employment to 1.6 hours (or 19 percent) per week. This is contrary to the effect found in the Rodriguez and Tiongson (1991) study but is in agreement with the Cabegin (2007) finding on the issue of self-employment.

The results of simple comparison of labor force participation rates in Tullao, Cortez and See (2007) and Ducanes and Abella (2007) have to be appreciated in light of the lack of control for other variables that affect labor supply decisions. Rodriguez and Tiongson (2001) and Cabegin (2007) dealt with this particular weakness by controlling for these

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<sup>6</sup> Cabegin (2007) also has estimates on selection-corrected estimates for labor force participation and hours worked.

variables in a multivariate setting. However, these studies have failed, as Rodriguez and Tiongson (2001) acknowledged, to control for the endogeneity of the migration variable, which results in inconsistent estimates. Unless these methodological issues are dealt with there is no assurance on the reliability of the results. These studies are leaning towards a negative impact of migration and remittances on labor force participation. Yang (2008), on the other hand, finds that the total labor force participation of remaining household members is not affected, but there is an increase in hours work for self-employment. It should be noted that since Yang (2008) employed exchange rate shocks to proxy for remittances, then the exogeneity of the exchange rate shock is assured.

## **Migration, Remittances and Household Investments**

How households spend remittances is of considerable concern. A number of studies on international migration concluded that remittances are primarily consumed and not invested. If this is true then the prospects for future growth may be jeopardized. There is therefore an interest in finding out what uses remittances households received are put into. If one considers investments as the inverse of consumption, then the conflicting results on expenditures discussed earlier also means conflicting results on household investments. Considering studies on direct household investments expenditures, the estimated impact is mixed. No impact was found on investment income and the number of investments activities but there is a positive impact on new entrepreneurial activities particularly capital intensive ones, i.e., transportation and communication and manufacturing.

Only one study, Yang (2008), was found directly analyzing the impact of migration and remittances on household investment activities. He examined the impact of the exogenous shock – i.e., the more than 50 percent increase in the value of the currencies of destination countries against the Philippine peso during the Asian financial crisis – on household investment income, overall entrepreneurial activity and on 11 specific entrepreneurial activity types.

Findings point to neither a clear impact on household entrepreneurial income nor on overall entrepreneurial activity. While there is a positive impact on starting new entrepreneurial activities, there is none on existing or old entrepreneurial activities. Furthermore, he finds discernible impacts on specific entrepreneurial activities. Of 11 specific

activity types, he found positive impact in transportation, communications, manufacturing or capital-intensive types of activity. A one standard deviation increase in exchange rate shock was found to increase entry into transportation/communication and manufacturing by 1.2 and 0.9 percentage points, respectively. He explained that perhaps entrepreneurial activities in these sectors are dampened by credit constraints, thus positive income shocks from remittances have enabled households to make the necessary investments.

Yang's (2008) approach has yielded believable estimates, but the results thus far merely scratch the surface of issues relating migration and remittances to household direct investments. There is a need to explore this area further and to determine if there is a basis for the oft-cited claim that remittances are mostly spent on consumption rather than investments. The results from the Yang (2008) study suggest that this is not the case.

### *Migration, Remittances and Poverty*

Alleviating poverty is a global concern and also the centerpiece program of all administrations in this country. In view of this, the impact of migration and remittances on poverty is obviously of interest to policy makers. The three studies reviewed here, despite their different methodologies, are consistent in showing the negative impact of migration and remittances on poverty incidence in households.

Yang and Martinez (2005) found that remittances (indicated directly by exchange rate shocks) reduce poverty incidence but not poverty depth as measured by the poverty gap.<sup>7</sup> They also found that a 10 percent favorable change in the exchange rate leads to a 0.6 percent (or 2.8 from instrumental variables estimation) decline in the poverty incidence in migrant households. Furthermore, as poverty incidence declines among migrant households with favorable exchange rate changes, there is evidence of spillovers to non-migrant households. This is channeled through: (a) a rise in gifts from migrant households to non-migrant households; and (b) general increase in economic activity arising from remittances. The gifts do not appear to be large enough to explain the reductions in poverty; most likely, thus they presume that the general increase in economic activity plays a larger role in effecting this change.

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<sup>7</sup> Measured in levels and as a percentage to the poverty threshold.



The impact of transfer (which includes remittances) and non-transfer incomes on measures of poverty both at the household and provincial levels using pooled time-series cross-section FIES data from 1985 to 2000 was analyzed by Sawada and Estudillo (2005). They found that increases in both transfer and non-transfer income decreases poverty. In addition, they found that transfer income is more important than non-transfer income at the household level and the other way around at the provincial level analysis. They have argued that provincial aggregation may have dampened the nuances present in household level analysis.

Using FIES 1997 and APIS 1998, Ducanes and Abella (2007b) traced the movements of a panel of households by poverty status. They found that families with OFWs are able to climb up the income ladder quite rapidly – an average of about 6 percentage points in income distribution in a period of one year. Moreover, a significant number of those who were able to raise their financial status are poor. They also pointed out that those poor households who successfully crossed over from poverty were those with migrants that have more education.

The over time profile analysis in Ducanes and Abella (2007b) provides a reliable comparison under the assumption that migrant and non-migrant households have identical observed and unobserved characteristics, except for the migration status or equivalent households randomly assigned between migrant and non-migrant status. When these are not the same, and they are expected to be so, the comparison between migrant and non-migrant households will be difficult to interpret. The difference in poverty impact can be because migrants have higher latent observed capacities to earn (e.g., high education status, more earning assets, or unobserved capacities, such as risk taking behavior or entrepreneurial spirit). The results of Sawada and Estudillo (2005) suffer from the problem of the endogeneity of transfer income. Transfers are known to be affected by the economic status of the recipient households. They also pointed out that there was a marked increase in remittances in 1997 during the El Niño phenomenon. In the Yang and Choi (2007) study, roughly 60 percent of declines in household income are replaced by remittance inflows from overseas. Meanwhile, the validity of the analysis in Yang and Martinez (2005) emanates from the exogeneity of the exchange rate shocks which was found to be directly correlated with remittances. All questions about the validity of the exchange rate shocks as indicator for remittance flows is laid to rest with the IV (instrumental variable) estimation results which

used the exchange rate shocks as instrument to remittances. In addition, the paper also controlled for the likely independent impact of the weather on poverty as El Niño coincidentally happened at the onset of the Asian financial crisis using rainfall data.

## Summary and Research Issues

The paper reviewed empirical studies that used large scale and nationally representative datasets. Particular attention was given to the methodologies used in appreciating the results. Many of the conflicting results are traceable to the differences in the methodologies. Thus, methodological issues need to be addressed to ascertain the impact of migration and remittances on household outcome, methodological issues need to be addressed. This paper explores these issues to move the research on this area forward.

There appears to be disagreement on the impact of remittances to total consumption expenditures, with Yang (2008) saying that there is no significant impact of remittances and others finding that there is a significant positive impact. The disagreements may be traceable to (a) differences in methodology; and (b) model specification issues. Majority of the studies used Engle curve estimation to establish the impact of migration on expenditures. Yang (2008), on the other hand, relates changes in expenditures levels to changes in exchange rate shocks (a proxy for remittances). Studies using the Engle curve estimation failed to control for the endogeneity of remittance in the estimation, which did not pose a problem in the Yang (2008) study. Future research has to deal with endogeneity issues. Nonetheless, there is general agreement on the positive impact of remittances on the expenditure share on many specific items such as education and durable goods.

The estimation results on the impact of remittances on human capital variables are consistently positive despite the lack of control for the endogeneity of the remittance variable. It remains to be seen whether this agreement is maintained when appropriate corrections are applied, which should be the focus of future research on this area. It is also glaring that there is no study dealing with health outcomes, another important component of human capital and an important impact of migration.

The results on the impact of migration and remittances on labor supply appear are also mixed. Most of the studies lean towards a negative impact. Yang (2008) and Ducanes and Abella (2007), on the other

hand, both found no significant impact on household labor supply and even found positive impact on the hours worked on self-employment and when students are removed from the sample. But perhaps establishing a significant impact of migration on labor supply is not as important as establishing inefficiencies—that these changes are beyond what can be expected as a result of buying more leisure given higher income, which admittedly is much more difficult to establish.

There is a dearth in the analysis of the impact of migration and remittances on direct household investments. Yang's (2008) attempt barely scratched the surface of issues relating migration and remittances to household direct investments. There is a therefore a need to explore this area further and to determine whether the perception that remittances are mostly spent on consumption rather than investments is supported by data.

The impact of migration and remittances on poverty incidence appears to be consistently negative even with infirmities in the specification of several studies. Their impact on the depth of poverty is less clear as most analyses do not yield significant findings. If the negative impact of migration on poverty is firmly established then perhaps the focus of future research will be on determining the mechanisms that generates this result.

In summary, the main research issues in establishing the impact of migration and remittances on household welfare can be grouped into two: (a) improving specifications to deal with the endogeneity of migration and remittance and also unobservable factors; and (b) improving the depth of the analyses beyond surface issues, such as, looking into home investment, schooling and health issues. Besides deploying better estimation methods, we need longer and real panel data to deal with unobservable factors.

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# 3

## **Economic Models on the Motives behind Migrant Workers' Remittances**

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### **Introduction**

International migration and its concomitant remittance flows are among the strongest and most massive social forces attending the process of globalization today. United Nations estimates in 2000, cited in Kapur and McHale (2003) and World Bank (2006), set the number of international migrants at between 150 and 175 million, or three percent of the world population,<sup>1</sup> with the stock in high-income countries calculated to have been growing at three percent per year between 1980 and 2000, from 2.4 percent per year in the previous decade. Data as of 2005 suggest that the total number of migrants worldwide has reached some 190 million, of which some 112 million or 59 percent are in developed countries (World Bank, 2007). The outcome has been that the

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<sup>1</sup> Since the estimates are drawn from official census figures of destination countries, the World Bank deems even the 150 million estimate to be on the low end, contending that undocumented aliens are not likely to be forthcoming about their legal status.

proportion of immigrants in the developed world almost doubled in the last 30 years of the previous century. And as may be expected, estimates of inward remittance flows to developing countries have inexorably risen, from \$57.6 billion in 1995, \$84.5 billion in 2000, \$163 in 2004 to \$251 billion in 2007 (Ratha and Xu, 2008; Ratha et al., 2008).<sup>2</sup>

Perhaps even more significantly, sea changes in the economic and political landscape are being wrought in the wake of these developments. In the rich countries, there is a nagging and steadily spreading suspicion that immigrants are not only keeping wages (and thus incomes) down but also crowding out citizens-at-birth in the job market. On the other hand, because of the insensitivity of public policy to immigrant concerns, there is growing disaffection and alienation, particularly among the immigrant youth. Not only are social tensions rising in consequence, already there is bleeding into xenophobia, intolerance, and acts of violence, if not terror, that threaten to rend the social fabric of these nations. What has received less attention and therefore needs to be underscored all the more is that where successful assimilation has taken place, immigrants have not only profited in terms of wealth accumulation and enhanced social status; they have also contributed tremendously to the improvement of social welfare in their adopted countries.

On the other side of the income divide, remittance inflows have proved to be a mixed blessing. As Kapur and McHale (2003) observe, transfers from migrant workers have become the most reliable source of foreign exchange for developing countries—the primary source of “foreign investments” in family-run microenterprises and the lifeblood of many in failed states such as Afghanistan, Haiti, Liberia, and Somalia, but also the financial pipeline that sustains the internecine strife in Sri Lanka and Rwanda and that shore up the bellicose foreign policies of poor countries like Armenia and Eritrea. For good or ill, this has in turn brought a measure of independence to the remittance-receiving countries, to some extent freeing their governments, economies, and policies from the grant and loan conditionalities of donor countries and

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<sup>2</sup> These estimates have to be taken with caution because, as the World Bank (2006) points out, there is as yet no consensus on what constitutes remittances. The estimates cited in the text come from the online version of the World Bank *Migration and Remittances Factbook 2008* (Ratha and Xu, 2008). These estimates only reports officially recorded remittances. The factbook notes that the true size of remittances, including unrecorded flows coursed through formal and informal channels may be larger.



multilateral institutions as well as inuring them to economic sanctions that might be imposed by the community of nations.

For all the importance of international migration and remittances, surprisingly, the twin phenomena remain poorly understood. Who in the pool of migrants remit, to whom are the transfers sent, in what amounts (and whether the monetary value remains constant or varies over time), with what regularity, and for how long are questions that still do not have stock answers. Yet the importance of finding the answers to these questions cannot be overemphasized. As de la Brière et al. (2002) point out, distinguishing the different motives behind remittances affords understanding of the role these transfers play in the strategic behavior of households. Remittances may not merely be an additional source of income for the recipient households. As the next section of the paper suggests, they can be payments for services rendered to the migrant, payoffs of an insurance scheme that shields recipients from income shocks, returns on household investments in migrants' human capital and location, migrants' investment in inheritable assets, or various combinations thereof. Moreover, the policy implications of alternative motives can be very different. An economic shock that causes unemployment rates to rise in a remittance-receiving country, for instance, can be expected to increase both the proportion of migrants remitting and the amounts remitted if remittances are altruistically motivated (i.e., the migrants care for the recipients), but to reduce the amounts remitted without affecting the frequency if the transfers constitute payments for services rendered by the recipients (because their bargaining power diminishes). Thus, safety net schemes in remittance-receiving countries require more government and domestic resources to be mobilized if remittances are service payments than if they represent charitable giving. On the other hand, government subsidies for and the structure of fees in education may need to be reexamined if emigration is seen as an investment and schooling choices form part of the decision chain that culminates in brain drain. Specifically, policy requires that the full costs of training in careers that are pursued outside the country have to be fully borne by would-be emigrants to the extent that the origin country is unable to reap the social returns of such investments in human capital.

An important building block for comprehending the global sweep of international migration and remittances is therefore an inventory of what drives them at the micro level, i.e., with the individual or the household as the unit of analysis. Only with such a catalog can empiri-

cal research then be systematically undertaken and public policy formulated that would correctly harness these social forces for the growth and development of the migrants' origin countries.

This paper is intended to provide an exposition - to non-economists - of the various motives underlying migrant workers' remittances that have been identified in the economics literature. Its goal is three-fold: to provide a taxonomy of the "pure" (as opposed to mixed) motives, to present these models in the analytical fashion that is the norm in economics, at a level that can be appreciated by a general audience,<sup>3</sup> and to draw out the data and econometric implications of how these models can be studied empirically. The rest of the paper is organized as follows: In the next section, an exposition of each of the six models on remittance motives is given in turn. The discussion draws heavily and liberally from the excellent but highly technical survey article of Rapoport and Docquier (2007). The models are all theirs, as are an overwhelming preponderance of the ideas, so much so that citations would have gotten in the way of the presentation. The third section then draws out the implications of empirically exploring these models. The last section provides concluding remarks.

## **Models on the Motives behind Migrants' Remittances**

### *Altruism*

Consider an origin household and a migrant worker who care for each other. One way that this mutual concern may be modeled is by specifying that the preference function of each party is (a) defined over own consumption and the consumption of the other party<sup>4</sup> and (b) a linear combination of the felicity over own consumption and the preference function of the other party, where the preference weight assigned to the other party can be neither negative (i.e., the other party cannot be

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<sup>3</sup> I have tried to keep the discussion at the level of Varian (2005), which may be a good reference that the non-technical reader can have in hand while reading this piece.

<sup>4</sup> The assumption here is that consumption is some measure of the material basis of well being or of the standard of living.

despised) nor more than 1/2 (i.e., the other party's importance in preferences cannot exceed that of the self).<sup>5</sup>

Under the assumption of full information, both parties are aware of how each regards the other as well as of the forms of the preference functions. Thus, the migrant worker in particular can factor in the origin household's preferences when deciding how much of her income to consume and to remit to the household. In the process, she derives a new expression for her preference function, which is cast as a linear combination of felicities over own consumption of the two parties and where a "reduced-form" preference weight that the worker assigns to the household now factors in the importance given by the household to the worker.<sup>6</sup>

This reduced-form preference weight has interesting implications. First, when the worker does not care for the household, the weight is zero, as may be expected. Second, as both parties care for each other more deeply (so that the original preference weights each approach 1/2), the reduced-form weight approaches 1/3. Third, when the household does not care for the worker but the worker cares deeply for the household—a case of unrequited love—the reduced-form weight is 1/2. Thus, the specification yields the paradoxical result that the worker assigns a higher reduced-form preference weight to the household when it does not care for her than when it does. The reason for this is that the worker, aware that the household is pained when she demonstrates care for it (since this occurs at the cost of some self-sacrifice), accounts for this negative feedback effect.

Given this set-up, the worker uses transfers so that the resulting consumption pair—hers and the household's—maximizes the value of her preference function. The necessary condition for obtaining this op-

<sup>5</sup> Formally, this may be described as follows: Let  $i = h$ (household),  $m$ (igrant), and  $-i$  be the other agent. Then the preference function of the  $i$ th party may be written as  $U^i(C^h, C^m) = (1 - \beta^i)V^i(C^i) + \beta^i U^{-i}(C^h, C^m)$ , where  $C^i$  is the consumption of the  $i$ th party,  $V^i(\cdot)$  is the felicity function over own consumption, and  $\beta^i \in [0, 1/2]$  is the original preference weight that the  $i$ th party assigns to the other.

<sup>6</sup> The migrant worker's revised preference function may be written as  $U^m(C^h, C^m) = (1 - \gamma^m)V^m(C^m) + \gamma^m V^h(C^h)$ , where

$$0 \leq \gamma^m = \frac{\beta^m(1 - \beta^h)}{1 - \beta^m\beta^h} \leq \frac{1}{2}$$

is the reduced preference weight.

timum is that, at the last currency-unit remitted, (the absolute value of) the rate at which the worker's felicity decreases (due to lower consumption) relative to the rate at which the household's felicity increases (due to higher consumption) is exactly matched by the ratio of the worker's reduced-form preference weights for the household to that for herself. To illustrate: suppose that the worker and the household both care for each other deeply so that the worker's revised preference weight for the household is  $1/3$  and that for herself is  $2/3$ . At the last currency-unit remitted by the worker, it must be that the one currency-unit contraction in the worker's consumption causes her felicity to decrease by one unit and the one currency-unit increase in the household's consumption causes its felicity to increase by 2 units. If this were not so, further adjustments can be made to transfers that increase the value of the worker's preference function. For instance, suppose that at a given consumption pair a one currency-unit transfer decreases the worker's felicity by one unit but increases the household's felicity by 3 units. Given that the worker's felicity has a weight of  $2/3$  in her preference function, implementing the transfer causes a net increase of  $1/3$  in the value of her preference function: a decrease of  $2/3$  due to the one currency-unit decline in own consumption ( $2/3 \times (-1)$ ) but which is more than offset by an increase of 1 due to the one currency-unit increase in household consumption ( $1/3 \times 3$ ). Thus, the worker's preference function is not optimized at the consumption pair at which the evaluation was performed.

The altruistic model yields the following predictions: Transfers to the origin household increase with the migrant worker's income, but decrease as the origin household's income increases. Transfers are also higher the more deeply the migrant worker cares for the origin household and the less deeply the origin household cares for the migrant worker. In addition, two particularly strong claims of the model are that (a) a one currency-unit increase in the migrant worker's (pre-transfer) income coupled with a one currency-unit decrease in the origin-household's (pre-transfer) income will cause a one currency-unit increase in transfers to the origin household and (b) because transfers insulate consumption from income shocks, the distribution of consumption is independent of the distribution of incomes for both the origin households and the migrant workers.

Other hypotheses that are inferred from the altruistic model (due to supposed links between the variables in the theoretical model and those found in data sets) include the following: (a) a migrant worker

who has a higher earning potential will remit more funds to the origin household. (b) A poorer origin household will receive more remittances. (c) Remittances increase with the closeness of familial ties (or the stronger are the emotional bonds) between the migrant worker and the household. (d) Remittances to the origin household increase the more resolved the migrant worker is about returning home. (e) Remittances from a given migrant worker decrease as the number of other migrant workers from the same household increases.

In empirical studies, altruism is usually considered as the base motive, i.e., the null hypothesis, against which the existence of other motives is tested.

### *Exchange*

To set this model in stark contrast to the previous one, suppose now that the migrant worker and the remittance-receiving household are non-altruistic agents who are bound not necessarily by familial ties but by a contractual arrangement. Thus, the motive for remittance transfers is not concern for the welfare of the recipient household but to pay for services rendered, which may be as varied as managing the migrant's assets, handling his affairs, or taking care of his family.

Two features of the contractual arrangement are noteworthy: First, the engagement is not simply an anonymous market transaction, but (as would be noted in the new institutional economics literature) is rather imbued with issues of mutual trust, credible commitments, and (second-party) enforcement mechanisms. More than the hiring of a financial manager, a personal lawyer, or a household caretaker is involved. Either no market at all exists for these services in the local economy so that special arrangements have to be made or the transaction costs of contracting such services are much lower than the available market alternatives.<sup>7</sup> Thus, in empirical validations of the exchange

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<sup>7</sup> For instance, it may be well nigh impossible to specify, monitor, and enforce the quality and extent of services to be rendered under all possible contingencies, so that it is difficult to draw up a formal contract. In contrast, there may be long-standing norms that dictate what the appropriate conduct is and that prescribe how gains from the exchange may be divided between parties in a service arrangement given a particular set of circumstances. Or quid pro quo or bundled contractual arrangements may be involved to get around weak enforcement of property rights, such as when a caretaker household is

motive, incorporating specific institutional details that provide the backdrop for the contractual arrangements in a given community takes on a heightened importance. Second, the contract must be Pareto-improving, i.e., the arrangement must be mutually beneficial, which implies that the participation constraints are satisfied (i.e., both parties find the provisions of the contract acceptable). Operationally, this means that the transfer payment can neither be greater than the maximum amount that the migrant worker is willing to remit for the services contracted nor less than what the household can receive in an alternative activity.

To account for the pay-for-services exchange, the preference functions of the migrant and the household are now specified to be defined over own consumption and services demanded or supplied. For the migrant, increases in each of these two factors are associated with a higher level of welfare; for the household, increases in consumption mean better well-being, but increases in services to be rendered are a disutility or hardship. There is thus a divergence of interests between the two parties with respect to the second factor, and it is the pay-for-service contract that makes them compatible.<sup>8</sup>

Under the assumption of full information and that the bargaining power rests entirely with the migrant<sup>9</sup> (as is customary in principal-agent models), the optimal contract that the migrant offers the household on a take-it-or-leave-it basis sets the amount of the transfer payment to be such that the household is just indifferent between accept-

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allowed to live on the property of the migrant to secure it against encroachment by squatters.

<sup>8</sup> Formally, the preference functions may be written as  $V^i(C^i, X)$ , where  $i = m$ [migrant] and  $h$ [household],  $C^i$  is the consumption expenditure of the  $i$ th party, and  $X$  is the amount of services of a given quality that is contracted. For the migrant, it is assumed that

$$V_{C^m}^m(C^m, X) = \frac{\partial V^m(C^m, X)}{\partial C^m} > 0 \quad \text{and} \quad V_X^m(C^m, X) = \frac{\partial V^m(C^m, X)}{\partial X} > 0.$$

For the household, it is assumed that

$$V_{C^h}^h(C^h, X) = \frac{\partial V^h(C^h, X)}{\partial C^h} > 0 \quad \text{but} \quad V_X^h(C^h, X) = \frac{\partial V^h(C^h, X)}{\partial X} < 0.$$

<sup>9</sup> This assumption is adopted to simplify the analysis. Its effect is to change the results only marginally to account for the difference in the relative bargaining powers of the parties.

ing the contract and rejecting it for the alternative activity.<sup>10</sup> In effect, the migrant sets the contractual terms to exact the least sacrifice from herself in terms of lower resources for consumption that the transfer amount represents, while at the same time ensuring that they satisfy the household's participation constraint (that the benefit-cost ratio of accepting the contract is just the same as that of the alternative activity).<sup>11</sup>

The exchange model gives the following predictions: Transfers increase with the diversity or range, quantity, intensity, and quality of services contracted. Moreover, the maximum amount of transfers that the migrant is willing to pay increases with the migrant's income. Unlike in the altruistic model, the recipient household's pre-transfer income has an ambiguous effect on remittances. Specifically, how remitted funds respond to household pre-transfer income depends on whether household consumption and the contracted services are independent of each other or are complements. If independent, increases in pre-transfer income induce larger transfers; if complementary (perhaps because being the migrant's agent lends prestige or opens more income-generating opportunities), increases in pre-transfer income may be associated with smaller transfers.

Based on differences in their predictions, the following distinctions can thus be made between the altruistic and exchange models: First, (actual) transfers are unequivocally positively correlated with the migrant's income in the first model, but are not necessarily so in the second model.<sup>12</sup> This is because what covaries with migrant's income in the exchange model is the maximum transfer amount. This latter variable, however, is observed (i.e., is equal to actual transfers) only when the household's bargaining power is strong. Thus, in general and par-

<sup>10</sup> In other words, the contract sets the household at  $V^h(I^h + T, X) = V^h(I^h, 0)$ , where  $I^h$  is the household's pre-transfer income and  $T$  is the amount transferred.

<sup>11</sup> The greater the bargaining power of the household, the more the contractual terms offered would favor its interests. When bargaining power lies entirely with the household, the migrant offers to remit the maximum amount of funds that she is willing to pay for the given services. This is the amount of transfers that just satisfies the migrant's participation constraint, i.e., that just makes the migrant indifferent between contracting and not contracting the services,  $V^m(I^m - T^{\max}, X) = V^m(I^m, 0)$ .

<sup>12</sup> More specifically, the (unobserved) maximum transfer amount may increase with the migrant's income, but whether actual transfer amounts would increase with the migrant's income would also depend on the relative bargaining powers of the parties and the opportunity costs of the recipient household.

ticularly when households generally have poor bargaining power, observed transfers may not show any covariation with migrant's income.

Second, transfers are unambiguously negatively correlated with the household's income in the altruistic model, whereas the covariation between the variables in the exchange model depends on how household consumption and services are related in the household's preference function. If preferences over consumption and services are independent, then transfers are positively correlated with household income; if the two are complements in household preferences, then transfers and household income may be negatively correlated.

Third, the likelihood and amount of transfers are positively correlated in the altruistic model, but are not necessarily so in the exchange model. In the first model, when the migrant's income rises or when the recipient household's income falls, the likelihood of remitting increases (because of the migrant's concern for the household). Thus, the probability of remitting and the amount remitted both move in the same direction as a result of changes in the circumstances of the migrant and the household. The same cannot be said in the second model. If the household's opportunity costs rise and this prompts the migrant to increase the transfer amount, this change in circumstances need not increase the likelihood of remittances, which may be dictated by other factors (e.g., by contractually set dates on which the payments have to be received by the household).

Fourth, general economic and political conditions that affect the opportunity cost or bargaining power of the household change the amount of transfers in the exchange model, but do not have an impact in the altruistic model. If the unemployment rate rises in the country of origin, for instance, which in turn lowers the opportunity cost of the household and weakens its bargaining power, then transfers should decrease under the exchange model. To the extent that this labor shock does not directly affect the consumption resources of the recipient household, however, it does not have an effect on transfers in the altruistic model.

An upshot of the distinct predictions of the two models is that their policy implications can be very different. For instance, increases in food prices in the country of origin, which boil down to real income contractions, are predicted to induce higher remittance inflows in the altruistic model, but are expected to have either no effect or a negative effect on remittances in the exchange model. Thus, there may be less need for



government intervention in the form of price subsidies or safety nets in the altruistic model than in the exchange model.

Lucas and Stark (1985) discuss the exchange motive under “pure self-interest” models of remittances.

### *Strategic Motive*

This model of remittance behavior is distinct from the first two in at least two ways. First, unlike the models discussed earlier, which were formulated and could be applied in contexts other than migration, as pointed out in Rapoport and Docquier (2007), the strategic-motive model was developed specifically with migration in mind. The intent: to explain in an integrated framework how the selection of migrant workers and remittance flows may be interdependent decisions. Second, unlike the first two models where full information was assumed, the motive for remittances underlying this third model depends on information asymmetry (i.e., on one party to a transaction having more information than the other). More specifically, remittances depend on an (initially) unobservable labor productivity attribute that causes employers in the host country to set wages according to the average productivity of the pool of workers.

The story behind the strategic-motive model is as follows: Suppose that some workers are more productive than others and that (at least) over a period right after migration it is difficult for employers in the host country to ascertain individual productivity, so that new workers are paid according to the average productivity of the cohort from their country of origin. Then there is scope for collusive behavior among workers and for the community at large: So as not to depress host country wages, migrant workers could commit to remitting “bribe money” to both the less productive workers to keep them from migrating and the community to police the ranks of migrant applicants and rid them of potential free riders (i.e., low productivity workers who are provided with a strong incentive to emigrate because of the high wage differential between the host and origin countries wrought by the high-productivity workers).

Setting this story in game-theoretic terms, consider two potential migrants,  $m$  and  $h$ . Let  $h$  be only half as productive as  $m$ . In their home country, each is paid his or her marginal product, which may be, say, 55 (currency units) for  $h$ . In the host country, let  $m$ 's marginal product

be 300. Suppose, however, that if both  $m$  and  $h$  emigrate, each at a cost of 100, host-country firms can only offer to pay wages equivalent to their average productivity. Then the game's payoff matrix can be presented as follows:<sup>13</sup>

|            |         | Player $h$ |         |
|------------|---------|------------|---------|
|            |         | Migrate    | Stay    |
| Player $m$ | Migrate | 125, 125   | 200, 55 |
|            | Stay    | 110, 50    | 110, 55 |

The structure of the payoffs in this game yields the following insights: First, notice that if  $m$  chooses to stay,  $h$  has no incentive to emigrate: His payoff in {stay, stay}, which is 55, is higher than that in {stay, migrate}, which is 50 [= 150 – 100]. Given the cost of migrating (100), the gross income (150)  $h$  stands to receive in the host country is simply not large enough (i.e., not greater than the 55 he gets in the home country) to make the enterprise worthwhile. Second, for  $m$  “migrate” is a dominant strategy (i.e., it yields higher payoffs no matter what strategy  $h$  chooses to play): If  $h$  chooses to migrate, she ( $m$ ) gets 125 if she also chooses to migrate but only 110 if she stays; if instead  $h$  chooses to stay, she gets 200 if she migrates but only 110 if she stays. Thus, whatever strategy  $h$  chooses,  $m$ 's optimal strategy is to migrate. Third, given that “migrate” is a dominant strategy for  $m$ ,  $h$ 's best response is to migrate: In {migrate, migrate} he gets 125, whereas in {migrate, stay} he only

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<sup>13</sup> More generally, the payoffs can be formulated as follows: Let  $c$  be the cost of emigrating,  $\theta \in (0, 1)$  be the productivity of  $h$  relative to that of  $m$ , and  $I^h$  and  $I^m$  be, respectively,  $h$ 's marginal product in the home country and  $m$ 's marginal product in the host country. Then  $m$ 's income would be  $I^h/\theta$  in the home country and  $I^m - c$  in the host country if only high-productivity workers emigrate, and  $h$ 's income would be  $I^h$  in the home country and  $\theta I^m - c$  in the host country if only low-productivity workers emigrate. Because host-country employers cannot discern individual productivity (at least over an initial period), if both  $m$  and  $h$  emigrate, their income would each be  $[(1 + \theta)/2]I^m - c$ . The payoff matrix in the text was composed with the following somewhat arbitrary parameter values:  $c = 100$ ,  $\theta = 1/2$ ,  $I^h = 55$ , and  $I^m = 300$ .

gets 55. The reason for this happenstance is that when  $h$  migrates with  $m$ , he is able to free ride on her productivity because host-country employers cannot distinguish their individual contributions to firm output. This is in stark contrast to the case where  $h$  migrates while  $m$  stays, because then (without any “skirt” behind which to hide his poor productivity)  $h$  is found out for the low-productivity worker that he is. Thus, {migrate, migrate} is the Nash-equilibrium strategy<sup>14</sup> in this game. This outcome, however, is not the best result for  $m$ . She can do better with {migrate, stay} where she gets 200 (rather than just 125 in {migrate, migrate}). So for  $m$ , the question is, Is there a way that she can somehow persuade  $h$  to stay (so that  $m$ 's wage will not be pulled down by  $h$ )?

Suppose that  $m$  commits to giving  $h$  a side payment of 72 to not migrate. Doing so decreases  $m$ 's payoff in {migrate, stay} to 128 [= 200 – 72], but at least it would still be higher than the 125 she gets from {migrate, migrate}. On the other hand,  $h$ 's payoff in {migrate, stay} would increase to 127 [= 55 + 72]. Thus, under this transfer payment scheme, the payoff matrix would become

|            |         | Player $h$ |          |
|------------|---------|------------|----------|
|            |         | Migrate    | Stay     |
| Player $m$ | Migrate | 125, 125   | 128, 127 |
|            | Stay    | 110, 50    | 110, 55  |

Note that, as a result of the change in payoffs arising from the transfer payment, the outcome {migrate, stay} has become the domi-

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<sup>14</sup> A Nash equilibrium is a play of the game in which the strategy chosen by each player is the best response to the choices made by all the other players. In effect, in a Nash equilibrium there is mutual consistency between and reinforcement of the beliefs (regarding what the other players would do) and the actions of the players.

nant-strategy equilibrium of the game:<sup>15</sup> For  $m$ , "migrate" remains the dominant strategy (since she gets at least 125 if she migrates and only 110 if she stays); for  $h$ , "stay" has become the dominant strategy as a result of the transfer payment (see Annex 1).

The following predictions are drawn from the strategic motive for remittances model: First, high-productivity workers are the ones who are selected for migration and who remit to the home country. Thus, workers who migrate are also the ones most likely to remit. Second, remittances are targeted at low-productivity workers who can pass themselves off as high-productivity types. For instance, workers with the educational and employment credentials but who may not have the drive to work hard are likely to be the beneficiaries of remittances. Conversely, individuals who are unable to pass the screening process for employment abroad are not likely to receive remittances. Third, once an effective signaling device or screening mechanism<sup>16</sup> can be used to distinguish worker productivity, workers who avail of the signal or who pass the screening process no longer remit money to the home country. Thus, workers who pass their probationary period, for example, are predicted by this model to immediately stop sending remittances. Fourth, as in the altruistic model, remittances are predicted to increase with the migrant's (pre-transfer) income and to decrease as (pre-transfer) income in the home country increases. The effect, however, is stronger here: a currency-unit increase in the migrant's income coupled with a currency-unit decrease in the home country is predicted to increase transfers by more than one currency unit. In effect, the strategic motive for remittances model reflects a greater inequality aversion than the altruistic model.

According to Rapoport and Docquier (2007), the strategic-motive model has been claimed to apply particularly to Filipino nurses, their worldwide high-productivity reputation being allegedly the result of government control of the international recruitment process. This con-

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<sup>15</sup> It may be noted that a dominant-strategy equilibrium is always a Nash equilibrium, but a Nash equilibrium is not necessarily composed of dominant strategies.

<sup>16</sup> A signal is a device used by a party with an unobserved but desirable attribute to reveal that he has the trait. Screening is a process that a party seeking some hidden information implements to distinguish those with the desirable (or undesirable) attributes. For instance, high-productivity individuals may use educational attainment to signal their capability to the extent that low-productivity individuals have a more difficult time acquiring the signal. On the other hand, firms can use an interminable interview process as a screening mechanism for finding high-stamina employees.

tention notwithstanding, serious doubts have to be raised about the model's applicability or plausibility. First, it is not clear who in particular in the home country receives the bribes cum remittances. Surely, the setting of the model is no longer the household, since worker productivity is more variable across rather than within families. But if remittances are sent to some fund handled by a community organization or government agency that then subsidizes wages in the local economy (for certain professions) or ensures that tight emigration controls are implemented, this in turn raises questions on who the receiving entities are as well as how they are identified for the entitlement, how free riding among migrant workers is inhibited (i.e., what mechanisms are in place that compels a migrant worker who has benefited from emigration controls to pay back in the form of remittances) and what interventions are used to increase local wages or implement strict recruitment rules: Are the bribes actually collected as processing fees collected by government agencies and recruitment firms during the emigration process and prior to departure?

Second, average-productivity wages for workers from a particular country of origin seem to ascribe higher computational capabilities to host-country firms than seems plausible. If firms know the average productivity of workers from each country of origin, surely they must find it easier to assess the individual marginal products of workers in their plants or offices. On the other hand, if firms know only the average productivity of new workers (as a group), then a country of origin will be unable to control how this average productivity behaves unless it is the only source of new workers.

Third, as was mentioned earlier, the strategic-motive model gives the right mix of incentives only under very restrictive conditions. Consequently, it cannot have wide applicability. Stark and Bloom (1985) discuss the strategic motive, but only in the context of migration and with no mention of side payments.

### *Insurance*

Like the strategic-motive model (and unlike the first two models), the insurance model presents migration and remittances as interdependent behaviors arising from a single integrated decision-making framework. Drawing on the observation that incomes in less developed countries tend to be more volatile (and all the more so in their rural and agricultural locales), the model maintains that migration is a coping mechan-

ism adopted by families in such settings to insure themselves against geographic risk. The insight is that, by strategically locating members in a variety of places such that their incomes end up being uncorrelated, these families in effect are able to spatially diversify their portfolios of labor resources, thus minimizing their overall exposure to an income shock in any one place. Remittances then represent intra-family insurance payoffs meant to counter the vicissitudes of fortune experienced by family members where they are and to smooth out their levels of consumption (or maintain their standards of living) over good times and bad.

For a simple account of the insurance motive for remittances, consider the following two-period model of two risk-averse individuals, who are assumed to have identical preference functions over income. Suppose that, in the initial period ( $t = 0$ ), the two,  $m$  and  $h$ , have each earned, say, 7 (currency units) in the home country. Let it be the start of the second period ( $t = 1$ ), for which the prognosis is somewhat bleak: With a 75 percent chance, income in the home country will be 2, and, with a 25 percent chance, it will be 22.

Exploring her options,  $m$  discovers that migrant workers in a neighboring country earn 28 with certainty. Unfortunately, migrating to that country costs 7.5, which is more than she can afford. Moreover, there is neither an option to borrow against future income (i.e.,  $m$  is liquidity constrained) nor a facility to avail of a loan (i.e., she is also credit constrained).

Hitting on a bright idea,  $m$  offers a deal to  $h$ . If  $h$  lends her 3.75 to enable her to migrate (i.e., he shoulders half of the migration cost),  $m$  promises to remit 13 at the end of period 1 if it turns out to be a bad time and 3 if it turns out to be a good time.

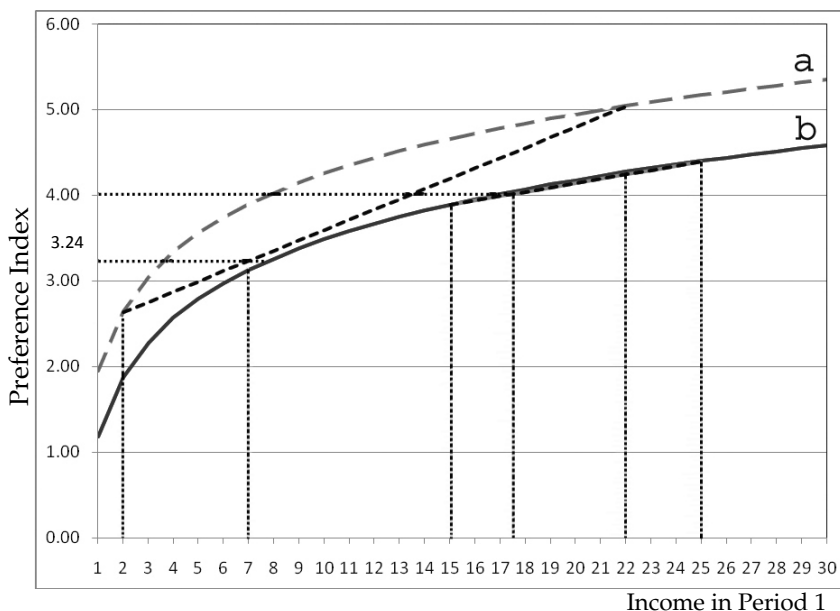
Evaluating the proposal,  $h$  sees that his options and their conditions may be summarized as follows:

| Action on proposed deal | Period |                                |                                 |
|-------------------------|--------|--------------------------------|---------------------------------|
|                         | 0      | 1                              |                                 |
|                         |        | Bad<br>(prob = $\frac{3}{4}$ ) | Good<br>(prob = $\frac{1}{4}$ ) |
| Reject                  | 7      | 2                              | 22                              |
| Accept                  | 3.25   | 15                             | 25                              |

If he rejects the deal, his well-being over the two periods depends on his period-0 income of 7 and his period-1 income, which will be 2 with a probability of 3/4 and 22 with a probability of 1/4. If he accepts the deal, his well-being depends on his period-0 income net of his share of  $m$ 's migration cost, which is 3.25 [= 7 - 3.75], and his transfer-augmented period-1 income, which will be 15 [= 2 + 13] with a probability of 3/4 and 25 [= 22 + 3] with a probability of 1/4. Concluding that the deal is advantageous to him,  $h$  accepts it.

The reasoning that  $h$  follows can be gleaned from Figure 1 below.<sup>17</sup> If he refuses the deal, his preference function would be the higher curve (curve a), which presumes that he keeps all of his period-0 income.

FIGURE 1



<sup>17</sup> To be consistent with the assumption that  $m$  and  $h$  are risk-averse, their preference functions (i.e., the index they use to evaluate their well-being) in Figure 1 are specified as  $\ln(Y^0) + \ln(I^1)$ , where  $Y^0$  is income in period 0 net of the person's share of migration cost and  $I^1$  is income in period 1. Notice that, because the horizontal axis consists of values of  $I^1$ , the vertical intercepts of the curves reflect the values of  $\ln(Y^0)$ , which are equal to  $\ln(7) = 1.95$  when no one migrates and  $\ln(3.25) [= \ln(7 - 7.5/2)] = 1.18$  when  $m$  migrates.

In period 1,  $h$  can earn either 2 or 22. Projecting two vertical lines from the horizontal axis - one at 2 and another at 22 - to curve  $a$  gives the values of  $h$ 's preference index at these income levels. Tracing out a straight line with these preference index values as the end points gives all the weighted averages that can be calculated for these two values. In other words, the weighted-average line reflects the changing value of  $h$ 's expected preference index as the weight assigned to the index when income is 2 is gradually decreased from 1 to 0, and correspondingly the weight assigned to the index when income is 22 is gradually increased from 0 to 1, with the weights always summing up to unity each time the average is calculated. Since the bad outcome - a period-1 income of 2 - occurs with 0.75 probability and the good outcome—an income of 22 - with 0.25 probability,  $h$ 's expected income in period 1 is 7 [=  $0.75 \times 2 + 0.25 \times 22$ ] and the value of his expected preference index is 3.24 [=  $\ln(7) + 0.75 \times \ln(2) + 0.25 \times \ln(22)$ ].

If  $h$  accepts the deal, on the other hand, his preference function becomes curve  $b$ , since shouldering half of  $m$ 's migration cost reduces his period-0 resources to 3.25, in effect decreasing the vertical intercept of his preference function. The compensating factor, however, is that ensuing transfers from  $m$  ensure that  $h$ 's period-1 income will be either 15 or 25. Since these states of the world occur with probabilities of 3/4 and 1/4, respectively, if he accepts the deal,  $h$ 's average income in period 1 is 17.5 [=  $0.75 \times 15 + 0.25 \times 25$ ], and his expected preference index, 4.01 [=  $\ln(3.25) + 0.75 \times \ln(15) + 0.25 \times \ln(25)$ ]. Since his expected preference index if he accepts the deal is higher than if he rejects it,  $h$  accepts it.

As for  $m$ , note that if she does not migrate, her preference function is also curve  $a$  in Figure 1, since she has exactly the same preferences and period-0 resources as  $h$ . Hence, her expected income and expected preference index are likewise 7 and 3.24, respectively. If she migrates, on the other hand, her preference function is curve  $b$  as well, since, like  $h$ , she bears only half of her migration cost.<sup>18</sup> Her period-1 income net of transfers will be 15 [=  $28 - 13$ ] if it turns out to be a bad time and 25 [=  $28 - 3$ ] if it turns out to be a good time. But these will be exactly the transfer-augmented incomes of  $h$  as well. Consequently,  $m$ 's expected

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<sup>18</sup> The higher the share of migration cost that  $m$  bears relative to  $h$ , the lower is her second preference function since she ends up with less period-0 resources than  $h$ .



income and expected preference index will likewise be 17.5 and 4.01, respectively.

The reasons underlying the identical distributions of income when *m* migrates are as follows: First, *m* and *h* are assumed to have equal bargaining power, which is reflected in their equal sharing of *m*'s migration cost. Second, in entering into an insurance arrangement, *m* and *h* are in effect agreeing to pool their resources and share them equally using transfers. Thus, under the bad state of the world, total income is 30 [= 2 + 28] and half of it is 15. Consequently, *m* sends 13 to *h* to equalize their incomes in the bad state. Under the good state of the world, on the other hand, total income is 50 [= 22 + 28] and half of it is 25. Consequently, *m* sends only 3 to *h* to equalize their incomes in the good state (*see* Annex 2).

There are two problems with the insurance arrangement just described, however. The first concerns the credibility of *m*'s promise to remit transfers, and the second has to do with the case in which *h*'s actions may have a bearing on his income in period 1.

With regard to the first issue, the question may be raised: After obtaining her benefits from the deal, what is to keep *m* from reneging on her commitment to *h*? Without assets that can be used as collateral, which indeed is why *m* is unable to avail of a loan from formal sector sources to finance her migration in the first place, and absent any co-maker who can be made to bear the burden of such a loan,<sup>19</sup> the informal contract between *m* and *h*—at least when it is an anonymous transaction—suffers from a lack of second-party enforcement mechanisms (i.e., schemes by which *h* can compel *m* to honor her promise regarding the transfers).

Such sanctions, though, are readily available within a family setting or a kinship group. If *m* and *h* are not merely bound by a business deal but are members of the same family or social network, news that *m* failed to comply with the terms of the agreement may cause her to lose face, not only among immediate members of the family, but in the larger community as well. Worse, she may be ostracized by the family or disinherited by her forebears as a result.

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<sup>19</sup> A page that can be taken from medieval bargaining practices, noted in North (1990), is that *m* can send a kin (whose closeness to her is indisputable) as a "hostage" in *h*'s household. The kin gains his freedom only after it is established that *m* has honored her end of the deal.

The upshot then is that the insurance motive is unable to stand on its own merits, but needs to be buttressed by other motives (e.g., altruism or inheritance) to be practicable. But this "coupling" requirement, in turn, makes it difficult to verify the insurance model in empirical settings and to measure the extent to which it influences remittance behavior independently of other motives.

Turning to the second issue, suppose that, instead of home-country income being exogenously determined by Nature, it depends to some extent on  $h$ 's effort. For instance, it may well be that, in the good state of the world, income is an increasing function of effort, but, in the bad state, effort has no effect on income. Assume that effort itself causes a disutility (or discomfort) that increases at an increasing rate. Then, for as long as  $m$  can be counted on to deliver her end of the deal,  $h$ 's problem may be cast as finding the effort level that maximizes the value of his expected preference index over income (*see* Annex 3).

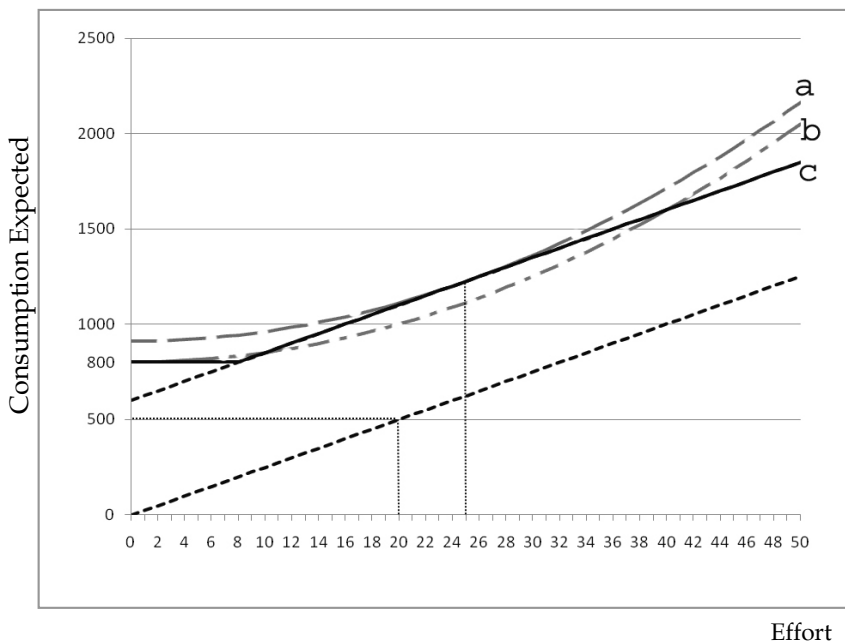
There are two solutions to this problem. The first is presented in Figure 2, which may be interpreted as follows: The (upward slanting) dotted lines are weighted averages of a given level of minimum income and the value of a transformation function that converts effort into expected consumption, where the weights used are the probabilities of the states of the world. The probability of the bad state, specified to be 0.75, is assigned to minimum income, while the probability of the good state is assigned to the effort transformation function. Hence, the vertical intercepts of the dotted lines (i.e., the part of the linear combination that is not due to effort) represent the products of the bad-state probability and minimum income, which are assumed to be zero for the lower line and 800 for the higher line (i.e.,  $0 [= 0.75 \times 0]$  and  $600 [= 0.75 \times 800]$ , respectively). On the other hand, the identical slope of the two lines is the product of the good-state probability and a constant marginal productivity of effort (which is specified to be 100).

An example helps to clarify further what the lines represent. When minimum income is zero (so that the relevant line is the lower one), an effort level of 20 translates into an expected consumption of 500 [ $= 0.75 \times 0 + 0.25 \times 100 \times 20$ ]. Hence, because the lines indicate how much expected consumption is afforded by a given level of effort, they may also be construed as budget constraints before the actual state of the world is known.

Assume now that a minimum income of 800 is guaranteed for  $h$  by his insurance arrangement with  $m$ . Then  $h$ 's actual budget line is represented by the solid black line (line c), which is initially a horizon-

tal line, since the minimum income specified by the insurance contract acts as an income floor, in effect ensuring  $h$  a minimum level of expected consumption (through transfers from  $m$ ). Once  $h$ 's effort level is sufficiently large (or intense) such that it generates a level of expected consumption greater than the minimum income, however, the ex ante budget line merges with the actual budget line.

FIGURE 2



The two other curves (curves a and b) in Figure 2 are indifference curves. Each indifference curve in the graph represents the locus of points of levels of effort and expected consumption that are equally preferred. Two features of these curves are worth noting. First, the higher an indifference curve is, the more preferred it is. Second, each indifference curve has a convex shape with respect to origin of the graph, because, at a low consumption level,  $h$  is assumed to be willing to expend a large amount of effort to be able to consume just a little bit more, but, as his level of consumption increases, he is assumed to become less and less willing exert an additional bit of effort.

The effort level that maximizes the value of  $h$ 's expected preference index over income turns out to be either where an indifference curve is just tangent to the budget line (so that the effort level is positive) or where an indifference curve and the budget line intersect at the vertical intercept (so that the effort level is zero). For the first case (which is what applies in Figure 2), the reason is that optimal effort must be at the highest expected preference index value that is still affordable. But points higher than the budget line (at [20, 1500], say) are not affordable:  $h$ 's effort transformation function does not allow him to reach levels of expected consumption beyond the budget line. On the other hand,  $h$  can always do better than at points below the budget line: his effort transformation function allows him to move up to higher indifference curves. Thus, in Figure 2,  $h$ 's optimal effort is found to be 25.

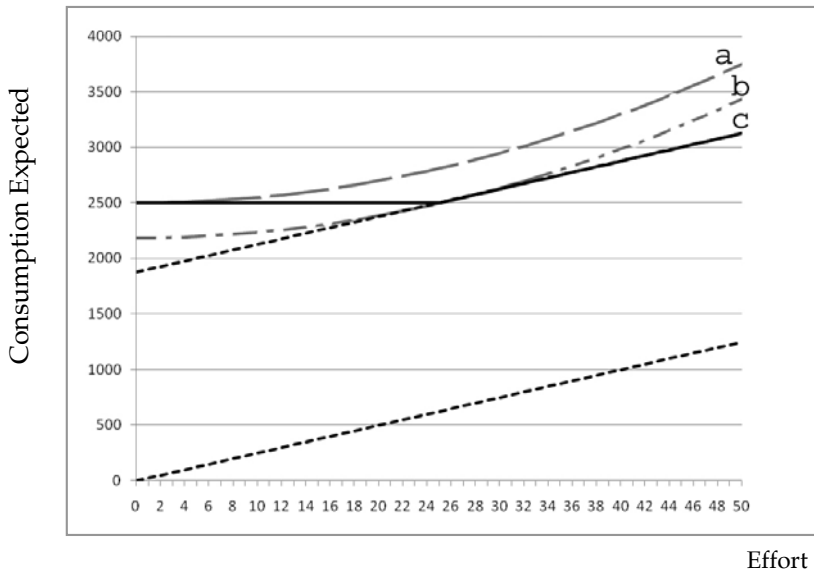
Notice that indifference curve  $a$ , which is tangent to the budget line, is higher than the second indifference curve (curve  $b$ ). This lower curve gives the locus of points (of levels of effort and expected consumption) that has the same value of  $h$ 's expected preference index as when he exerts no effort and makes do with the minimum guaranteed income. In other words, curve  $b$  is  $h$ 's default indifference curve: It indicates his level of well-being when he behaves in a morally hazardous manner. Happily, since curve  $b$  is everywhere lower than the curve  $a$ ,  $h$  prefers to work given the configuration of curves in Figure 2. That is, because the value of  $h$ 's expected preference index at the optimal level of effort (and at the implied expected income) is higher than that at zero effort (and at the minimum income guaranteed by transfers from  $m$ ), it can be said that the insurance scheme does not "pervert"  $h$ 's incentives and morally hazardous behavior is precluded.

The alternative scenario, where the effort level is zero, is presented in Figure 3. Notice that, now, minimum income is 2500, which proves to be too high given  $h$ 's marginal productivity and disutility of effort (which underlies the shape of the indifference curves). As a consequence,  $h$ 's default indifference curve (curve  $a$ ) is everywhere higher than the indifference curve that yields the positive "optimal" effort (curve  $b$ ). In this case,  $h$  chooses to not work and to consume the minimum guaranteed income. In other words, the insurance scheme perverts  $h$ 's incentives, inducing him to be completely dependent on  $m$ 's remittances.

In this second case,  $h$  is said to be behaving in morally hazardous manner in that, being already guaranteed a minimum level of income, he acts adversely against his insurance contract and differently from if

there were no contract.<sup>20</sup> The effect of this morally hazardous behavior is to increase the likelihood of occurrence of the insured event (that *h* earns only the low level of income)—even when the actual state of the world turns out to be the good one.

FIGURE 3



Under full information, with sufficient bargaining power, *m* can prevent *h*'s morally hazardous behavior by judiciously setting the minimum guaranteed income so as not to pervert *h*'s incentives, given his productivity and disutility of effort functions. A problem, however, is that if this guaranteed income turns out to be lower than what *m* deems to be appropriate with respect to her altruistic concerns, she can still end up agreeing to an arrangement that induces moral hazard in *h* and fosters his dependency on her. Obviously, an even more fundamental problem is that *h*'s preference index is not observable. Thus, it may not even be possible for *m* to discern the minimal guaranteed income that does not distort *h*'s incentives in the first place.

Some predictions that can be drawn from the insurance model are as follows: First, as in the altruistic and strategic-motive models and for

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<sup>20</sup> The morally-upright behavior required of *h* is that he gives the same level of work effort with or without the income-guarantee scheme.

as long as moral hazard is precluded, remittances increase with the migrant's (pre-transfer) income and decrease as the origin household's (pre-transfer) income in the bad state of the world increases. Moreover, as in the altruistic model, a one currency-unit increase in the migrant's (pre-transfer) income and a one currency-unit decrease in the origin household's (pre-transfer) income in the bad state of the world generates a one-currency unit increase in remittances.<sup>21</sup> Second, emigration from and remittances to places with more volatile incomes are more likely. Third, in contrast to the altruistic model, amounts remitted are highly variable and the frequency of remittances is intermittent. Moreover, while it can be argued in the case of the altruistic model that, over time, remittances gradually decline in amount and regularity as the migrant's emotional attachment with the origin family fades, in the insurance model, remittances come to an abrupt stop as soon as the migrant's contractual obligations are fulfilled. Fourth, again unlike in the altruistic model, remittances to poor households are likely to be smaller and their volume small. This is because poor households are less able to afford the migration cost of its members. Thus, in the insurance model, migrants are more likely to come from wealthy households with risky asset portfolios.<sup>22</sup> Fifth, if informal insurance contracts do not preclude moral hazard, the proportion of adult members who are not gainfully employed is likely to be higher among families with migrant members. Sixth, the higher the burden of the migration cost the household agrees to bear relative to the value of its assets, the more likely it will engage in morally hazardous behavior.

A policy intervention that is therefore needed in the insurance model is how morally hazardous behavior in the forms of unemployment, visible underemployment, and nonparticipation in the workforce

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<sup>21</sup> The implications for empirical testing of the predictions on household (pre-transfer) income are very different, however. In the altruistic model, remittances respond to observed differences in household (pre-transfer) incomes. In contrast, in the insurance model, remittances respond to differences in household (pre-transfer) incomes *in the bad state of the world*, which may or may not be realized. In effect, the predictions would coincide only for households suffering from an income shock.

<sup>22</sup> Note a fine point on the implication for empirical testing: Within a household, it may well be that a decrease in income increases the amount remitted (as in the altruistic model). Across households, however, a lower income may mean smaller remittances both in amount and volume (because of a lower capacity to finance migrations). This implies that panel data is needed to sort out these contrasting effects when empirically verifying the insurance model.

may be mitigated, if not eliminated altogether. Two possibilities are training and retraining of workers as well as adopting new technologies to increase the workers' individual marginal productivities and improving working conditions (e.g., with respect to coordination failures as well as financial and time costs) to lower the disutility of effort.

Stark and Levhari (1982) is an early paper that pointed out the risk-dispersing feature of migration.

### *Investment*

As its name suggests, the investment model views migration as an opportunity for a family to increase its wealth. The idea is that a family may exploit spatial differences in wages by financing a member's costs of migration (as well as other preparatory or complementary activities, such as education and job search, that enhance her employability and earning potential in the host country) and in recompense receive annuities in the form of remittance payments.

As the investment model shares certain features with the insurance model, it is useful to point out the similarities as well as the fine distinctions between the two in order to appreciate each in starker relief. The most obvious similarity is that unlike the other models on remittance motives, both are concerned with the spatial placements of family members. Unlike in the insurance model, however, the underlying reason for the migrations in the investment model is not to minimize risk, but to take advantage of the wage differential between the origin and host countries. In effect, in the investment model, the family has no apprehensions about the geographic concentration of its members' relocations.

A second similarity is that the gamut of issues that beset the insurance model, e.g., the liquidity and credit constraints faced by the potential migrant (at least with respect to formal sector sources), the credibility of her commitment to remit payments once she has migrated, the personal (i.e., non-anonymous) nature of the contractual arrangement, and the norms, sanctions, and enforcement mechanisms that are in play in a family or kinship setting, attend the investment model as well. This has two implications: First, it serves as a reminder that, in studying the investment model (as well as the insurance model) in specific empirical settings, the researcher must pay particular attention to the institutional constraints—especially the specific expressions or formulations of norms, sanctions, and enforcement mechanisms that imbue the infor-

mal contract with a non-anonymous character. Moreover, the researcher needs to be sensitive to the possibility that other motives, such as altruism and inheritance, may be operative as well. Second, there is no need to rehash these issues in the exposition that follows.

An account of the investment model may be given thus: (*see* Annex 4). Suppose that households in a country of origin operate family enterprises. Let three such two-person households have income-generating capacities as are given in the table below:

| Income in origin country if ... | Household |          |          |
|---------------------------------|-----------|----------|----------|
|                                 | <i>a</i>  | <i>b</i> | <i>c</i> |
| only one member works           | 100       | 150      | 200      |
| both members work               | 150       | 225      | 300      |

Notice that (a) the households have different productivities (possibly because of differences in asset holdings or technical efficiency), with household *a* being the least productive and household *c* being the most productive, and (b) diminishing marginal productivity is at work for all three households: the increase in income when the second member works is only half that when only one member works.

Let there be two periods, 0 and 1. Assume that in each period, an individual needs a minimum income of 50 to survive and that in period 0 all household members work. The households consider whether or not to relocate in period 1. Let migration cost per person be 75. Then the migration cost is a binding constraint for households *a* and *b*. Indeed, household *a* cannot afford to send out anyone, since its income in excess of subsistence costs is only 50 [=  $150 - 2 \times 50$ ]. On the other hand, household *b* can afford to finance the emigration of only one member, given its excess income of 125 [=  $225 - 2 \times 50$ ]. Only household *c* has the resources to relocate both its members, with its excess income of 200 [=  $300 - 2 \times 50$ ].

Now consider two other two-person households whose income-generating capacities in the origin country and potential wage per person in the country of destination (along with those of household *c*) are given in the next table.



|                                     | Household |          |          |
|-------------------------------------|-----------|----------|----------|
|                                     | <i>c</i>  | <i>d</i> | <i>e</i> |
| Income in origin country if ...     |           |          |          |
| only one member works               | 200       | 250      | 300      |
| both members work                   | 300       | 375      | 450      |
|                                     |           |          |          |
| Wage per person in the host country | 150       | 350      | 350      |

As may be easily verified, for all three households the liquidity constraint relative to the costs of migration (that income in excess of subsistence costs must be at least 150) no longer binds. Nonetheless, this does not necessarily mean that any or all of the household members will relocate. That decision depends on whether or not an additional condition is satisfied: At the margin, the net benefit (i.e., income less moving cost) gained by the last migrant must be at least as great as the loss in origin-country income that the migrant's relocation represents.

Applying this rule, one readily obtains the following results: Household *c* will stay put, since the net benefit gained by the first member who leaves will only be 75 [= 150 – 75], while the loss in origin-country income will be 100 [= 300 – 200]. In other words, migration is not a profitable venture for household *c*. In contrast, household *d* will relocate, since the net benefit gained by the second member who leaves will be 275 [= 350 – 75], but the loss in origin-country income will only be 250. Finally, in the case of household *e*, only one member will relocate: The first migration makes sense, since the marginal benefit and marginal loss numbers are 275 [= 350 – 75] and 150 [= 450 – 300], respectively, but the second migration does not, given the marginal gain of 275 [= 350 – 75] against the marginal loss of 300.

The upshot of the analysis is therefore that the number of migrants financed under the investment motive depends on affordability and profitability—in particular, on whichever condition yields the lower number of migrants. Only when neither constraint binds, as in the case of household *d*, will the entire household migrate.

When only one household member migrates, as in the case of household *e*, transfers to the member left behind will be observed. Under the assumption that total income is equally shared, the transfer will

be equivalent to the difference between the average income of the household members and the income of the non-migrant. In the case of household  $e$ , the incomes of the migrant and non-migrant members are 350 and 300, respectively. Since the average income is 325, the transfer will be 25.

The interesting predictions of the investment model concern the technical efficiency of the family enterprise in the origin country, which has opposing impacts on liquidity-constrained and profitability-motivated migrations. As may be noted, when the family enterprise is unproductive, what limits the number of migrants is the binding liquidity constraint. Accordingly, improvements in productivity relax this constraint and afford more migrations. In contrast, when the family enterprise is productive, the family's consideration turns to whether or not a member's relocation increases total family income. The more productive the family enterprise is, however, the less likely working elsewhere can do so. Thus, the investment model predicts that, as a proportion of family size, the fewest migrations will be observed among the poorest and richest families—the former because they cannot afford it, the latter because it is not sufficiently profitable.<sup>23</sup>

A related set of implications concerns differences in the distributions of factor payments or of wages between the host and origin countries. Specifically, the fewest migrations will be observed in those professions and occupations with the narrowest earnings differentials or with the least harmony in technical standards. Professionals and skilled workers in occupations that have common technical standards and rules and have the highest wage differentials have the greatest incentives to migrate. In contrast, workers whose talents, skills, and habits are less well adapted to the host-country environment do not find relocating as attractive.

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<sup>23</sup> An interesting implication for the Philippines that may be inferred from this prediction concerns the beneficiaries of agrarian reform, on the one hand, and the families whose landholdings were appropriated, on the other hand. Since greater asset holdings improve the income-generating capacity of the family enterprise, the liquidity constraint with respect to migration cost is relaxed for the beneficiaries. Since reduced asset holdings worsen the income-generating capacity of the family enterprise, the profitability of migration is enhanced for the displaced landowners. Hence, if the investment model is correct, proportionately more family members of agrarian reform beneficiaries and of the displaced landowners can be expected to migrate than members of families taken at random.

As for remittances, the implications of the investment model are that these disbursements will be: (a) constant (i.e., will not diminish over time) and regular (i.e., not intermittent) to the extent that transfers represent payments for the migrant's foregone contribution to the family enterprise or, what amounts to the same thing, her foregone contribution to family income, (b) larger as the income of the migrant becomes higher and the pre-transfer income of the household lower, and (c) increasing at a decreasing rate with respect to number of migrants (implying that the amount remitted by each migrant falls as the number of members who migrate increases). In addition, the model predicts that, on a per member basis, transfers will decrease at a decreasing rate as the household size increases.

Finally, among all the remittance-motives models, the investment model is the only one that reminds that migration can be a long-term goal involving a series of preparatory activities and related decisions, such as choice of school, years of schooling and educational attainment, occupation, career, and work experience.<sup>24</sup> An implication of this insight is that the social and private costs and benefits of migration must be measured along with the impact on migration that these preparatory activities have. Policies should then see to it that the marginal social benefits just equal the marginal social cost at the socially-optimal levels of such activities. Obviously, this is easier said than done. Nonetheless, glaring examples ought to be readily curbed, such as the subsidized costs of medical education.

Lucas and Stark (1985) propose a test for discerning an investment motive: Since the immediate family usually finances a person's education, the coefficient of a son's or daughter's education in a remittance equation would be higher than that of an in-law's education. Hoddinott (1994) interprets the positive and statistically significant coefficient of the migrant-son's earnings in his remittance regressions as repayments for past parental investments in the sons' education (reinforced by the prospect of bequests).

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<sup>24</sup> Given the Philippines' long record of emigrating workers, it may be interesting to explore to what extent choices on schooling, occupation, career, and work experience are or have been motivated by the desire to emigrate or work overseas.

## *Inheritance*

The inheritance model posits that remittances are one—if not *the*—criterion by which migrant sons and daughters are judged when parental bequests are formulated. Strategic behavior is assumed on both sides of the generational divide: Parents use bequests to reward good behavior, measured by the degree to which the migrant has honored his or her contractual obligations (in the cases of the insurance and investment motives) and exhibited his or her care and concern for the family (beyond minimum accepted standards); migrant sons and daughters use remittances as stakes on inheritance claims.<sup>25</sup> In effect, parents use bequests (or the withholding thereof) as a means to secure remittances from migrant sons and daughters, and migrant sons and daughters use remittances as investments in inheritance.

The inheritance model makes the following predictions: The amount remitted by a migrant son or daughter is larger and more regular (a) the higher the value of household assets not yet bequeathed, (b) the higher the likelihood of being named the major beneficiary, and (c) the wealthier the migrant worker. It is smaller and more intermittent the riskier the investment in inheritance is perceived compared to other investment opportunities.

Lucas and Stark (1985) discuss the inheritance motive and find that sons who are more likely to inherit family owned assets than daughters do remit more when the household owns more cattle, the main inheritable asset. The interpretation of the result, however, cannot disentangle the inheritance motive from the exchange motive, since cattle herds of families are combined. Hoddinott (1994) finds empirical support for it using data from rural Western Kenya.

## **Empirical Implications**

What empirical implications may be drawn from the foregoing survey of economic models on the motives behind migrants' remittances? The first point may be that it is important to distinguish the motives behind

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<sup>25</sup> Obviously, the behaviors of both parents and offspring are culturally delimited to some extent. Under primogeniture, for instance, daughters and low birth-order sons do not have an incentive to make inheritance investments, and the "game" would be between the parents and oldest son only.

remittances, if only because the policy implications can be very different. Alas, many papers do not do so, opting instead to estimate some "reduced-form" equation. Unfortunately, the choice can be driven by data availability.

Two other obvious but nonetheless important insights are that (a) given a sample of migrant workers and recipient households, remittance flows are likely to be due to a variety of motives and (b) even for a given migrant-household pair, different combinations of motives may be present.

To some extent, motives may be correlated with the characteristics of the migrant worker and the recipient households, with "environmental" factors, or with contractual terms, as indicated in Lucas and Stark (1985) and Stark and Lucas (1988). More specifically, the altruistic, insurance, investment, and inheritance motives are more likely to hold when the migrant is a member of the immediate family, while the exchange motive is perhaps more likely when transfers are between distant family members, in-laws, or nonrelatives. On the other hand, the altruistic, exchange, and insurance motives are more likely to be observed when the origin country is hit by an income shock. And remittance flows are more likely to gradually subside over time under the altruistic motive, to stop abruptly under the strategic motive, to be intermittent under the insurance motive, to be constant under the investment motive, and perhaps to increase over time as the patriarch or matriarch of a wealthy household grows older.

But, as mentioned, mixed motives may be involved. When the migrant worker and his or her spouse are the household heads, remittances may be imbued by both altruism and the exchange motive. By contrast, when the migrant workers are the sons and daughters, the altruism and inheritance (as explored in Hoddinnott, 1994) or altruism and investment (as investigated by Lucas and Stark, 1985; Stark and Lucas, 1988) may be the co-existing motives. As discussed in the previous section, the altruistic or inheritance motive is needed for the insurance and investment motives to be practicable.

Because of their different policy implications, it is important to sort out empirically which models apply to which migrant-household pairs and under what conditions. A danger is that models may have offsetting effects or one with a stronger impact may mask that of another. This makes it critical for the researcher to anticipate which combinations of motives are most likely to apply in the circumstances to be explored. Careful modeling of how the motives may co-exist in a given

migrant-household pair and how they interact should then be undertaken to avoid pitfalls and to minimize the risk of drawing false inferences from the data. Two additional benefits of doing so are that (a) the exercise affords the identification of critical variables, including whether they are exogenous, are correlated with unobserved factors, or have bi-directional causality with the dependent variables, and (b) in case data collection is a future activity, it facilitates the development of survey designs and questionnaires that are consistent with econometric models to be estimated and statistical methods to be applied.

On the variables and data to be collected, the models surveyed in the previous section indicate that the dependent variables include the likelihood of remittance and the amounts remitted and that it is important to have longitudinal data to capture frequency and duration of remittance flows as well as whether the amounts remitted remain constant, decrease, or increase over time.

As for the estimation of models on the determinants of remittances, an important issue is to control for sample selectivity to get unbiased estimates. Funkhouser (1995) shows that the act of remitting is not a random event in a given pool of migrants. Rather, it systematically depends on migrant characteristics, the estimated independent effects of which vary by sample. The problem, however, is that, as Menjivar et al. (1998) point out, economic models do not provide good instrumental variables for identifying the selection equation from the remittance amount equation.

A second issue with respect to estimation is the need to treat the endogeneity of pre-transfer incomes. As pointed out in Lucas and Stark (1985), a negative relationship between remittances and recipient-household income may not necessarily mean that remittances are altruistically motivated, as it could be the cross-section artifact of a temporal process in which past remittances have caused the household income to rise. In other words, a bi-directional causality between remittances and household income is involved. As another example, the cautionary tale of the insurance model is that, under moral hazard, the household pre-transfer income may be correlated with unobserved effort whose effect is captured in the error term of the regression.

The upshot of all this is that if emigration and remittances are deemed sufficiently important to merit full study, a panel data set must be collected with the surveys designed such that the different dimensions of the dependent variables (i.e., the frequency of remittances,

their amounts over time, and duration) and the explanatory variables, including the identifying instrumental variables, are covered.

## Concluding Remarks

This paper provides an (intermediate-level) exposition of the economic models on the motives behind migrants' remittances. Six models are presented: altruism, exchange, the strategic motive, insurance, investment, and inheritance. The implications for empirically exploring these motives are then discussed. The plea is that, given that migration and remittances are important issues for developing countries, good data that allow researchers to distinguish between the different motives need to be made available. Results of such empirical investigations are building blocks for better policy formulation on how to manage the massive migration and remittance flows that are observed in the world today.

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## ANNEX 1

In the original game,  $m$  finds it worthwhile to migrate if  $[(1 + \theta)/2]I^m - c > I^h/\theta$  holds. Note that when this condition is satisfied, it gives  $h$  the incentive to free ride since it implies that  $[(1 + \theta)/2]I^m - c > I^h$  also holds. Given that the condition for  $m$ 's migration is satisfied, transfer payments are welfare improving when the following two other conditions hold as well:

$$I^m - T \geq \frac{1 + \theta}{2} I^m$$

$$I^h + T \geq \frac{1 + \theta}{2} I^m - c,$$

where  $T$  stands for the remittance transfer. These two inequalities can be combined into one,

$$\frac{1 + \theta}{2} I^m - I^h - c \leq T \leq \frac{1 - \theta}{2} I^m,$$

and can be solved to show that  $\theta I^m - c \leq I^h$ . In words, for transfer payments to be worthwhile in this model,  $h$ 's productivity must be so low that his income net of migration cost when only he emigrates does not exceed what he earns in the home country. Combining this last result with the inequality condition for  $m$ 's emigration yields  $I^m < 2c/\theta$ . This says that  $m$ 's marginal product in the host country must be sufficiently small such that  $h$ 's implied marginal product in the host country ( $\theta I^m$ ) does not exceed twice the migration cost.

What this analysis shows is that the strategic motive for remittances arises only under rather restrictive circumstances and may not be viable in general.

## ANNEX 2

A general description of the model may be given as follows: Let incomes in the home country be  $I^0$  during the initial period,  $\underline{I}$  in period 1 if times are bad, and  $\bar{I}$  if times are good. (It goes without saying that  $\underline{I} < \bar{I}$ .) Assume that the cost of migration  $c$  is such that  $I^0 < c < 2I^0$ , so that migration is not affordable without help from the other person. As a simplifying convenience, suppose that  $m$  and  $h$  have identical, risk-averse preference functions, the component felicity functions of which are additively separable over time periods and states of the world, so that expected utility is given by

$$E [V(I^0, \underline{I}, \bar{I})] = v(I^0) + pv(\underline{I}) + (1 - p)v(\bar{I}),$$

where  $p$  is the probability of the bad state of the world.

## ANNEX 2 (continued)

Let  $\omega$  be  $m$ 's share of her migration cost, and  $\underline{T}$  and  $\bar{T}$  be the transfers that  $m$  commits to provide  $h$  in the bad and good states of the world, respectively. Then the set of Pareto-efficient insurance contracts consists of the triple  $(\omega^*, \underline{T}^*, \bar{T}^*)$  that jointly maximizes

$$E(V^m) + \lambda[E(V^h) - \underline{V}^h],$$

where  $\lambda$  is the relative bargaining power of  $h$  and  $\underline{V}^h$  is the minimum value of  $h$ 's preference index that is guaranteed by the contract. Using the expected utility function given earlier, one may rewrite the objective function as

$$v(I^0 - \omega c) + pv(I^m - \underline{T}) + (1-p)v(I^m - \bar{T}) + \lambda\{v[I^0 - (1-\omega)c] + pv(\underline{T} + T) + (1-p)v(\bar{T} + T)\}.$$

The first-order conditions of this problem are:

$$\begin{aligned} -v'(I^0 - \omega c) + \lambda v'[I^0 - (1-\omega)c] &= 0 \\ -v'(I^m - \underline{T}) + \lambda v'(\underline{T} + T) &= 0 \\ -v'(I^m - \bar{T}) + \lambda v'(\bar{T} + T) &= 0, \end{aligned}$$

which yield the result that

$$\frac{v'(I^0 - \omega c)}{v'[I^0 - (1-\omega)c]} = \frac{v'(I^m - \underline{T})}{v'(\underline{T} + T)} = \frac{v'(I^m - \bar{T})}{v'(\bar{T} + T)} = \lambda.$$

In words, this means that maximization of the objective function requires that, in period 0 as well as in each of the two states of the world, the ratio of  $m$ 's marginal felicity to that of  $h$  must be equal to the bargaining power of  $h$ .

To illustrate what these equations mean, suppose that  $\lambda = 2$ . Then the first equation of the first-order conditions implies that, at the last unit of net period-0 resources consumed, the marginal felicity of  $m$  must be twice that of  $h$ . Since  $m$  and  $h$  are risk averse, their marginal felicities decline as income rises. Consequently,  $m$ 's net period-0 resources must be less than that of  $h$ . But any difference in period-0 resources between  $m$  and  $h$  can only come from  $\omega$  and  $(1-\omega)$ . Hence, it must be that  $\omega > (1-\omega)$  or  $\omega > 1/2$ , i.e.,  $m$  bears more than half of the cost of her migration if  $h$ 's bargaining power is high. (A similar analysis can be carried out on each of the other two equations.)

## ANNEX 3

This problem may be formally presented as follows: Let  $h$ 's preferences over consumption  $C^h$  and effort  $e$  be defined by

$$V^h(C^h, e) = C^h - \frac{\beta}{2}e^2,$$

where  $\beta > 0$ . Let

$$C^h = \begin{cases} \bar{C}^h & \text{with probability } q \\ \underline{C}^h & \text{with probability } 1-q \end{cases}.$$

Then  $h$ 's expected preference function may be expressed as expected consumption less the disutility of effort:

$$E[V^h(C^h, e)] = q\left(\bar{C}^h - \frac{\beta}{2}e^2\right) + (1-q)\left(\underline{C}^h - \frac{\beta}{2}e^2\right) = E(C^h) - \frac{\beta}{2}e^2.$$

Suppose that  $h$ 's income  $I$  depends on effort only in the good state of the world, but is zero otherwise, so that

$$I = \begin{cases} \alpha e & \text{with probability } q \\ 0 & \text{with probability } 1-q \end{cases},$$

where  $\alpha > 0$  is the marginal product of effort, and transfers from  $m$  are triggered when income falls below a mutually agreed upon level, i.e.,  $I < I^{\min}$ . Then  $h$ 's expected preference function may be rewritten in terms of effort for a given level of minimum guaranteed income as

$$\begin{aligned} E[V^h(e | I^{\min})] &= q(\alpha e + \max\{I^{\min} - \alpha e, 0\}) + (1-q)I^{\min} - \frac{\beta}{2}e^2 \\ &= \begin{cases} q\alpha e + (1-q)I^{\min} - \frac{\beta}{2}e^2 & \text{if } \alpha e \geq I^{\min} \\ I^{\min} - \frac{\beta}{2}e^2 & \text{if } \alpha e < I^{\min} \end{cases}. \end{aligned}$$

The first-order conditions of the problem are therefore given by

$$\frac{\partial E(V^h)}{\partial e} = \begin{cases} q\alpha - \beta e \leq 0 & \text{if } \alpha e \geq I^{\min} \\ -\beta e \leq 0 & \text{if } \alpha e < I^{\min} \end{cases},$$

which yield the following two solutions:

## ANNEX 3 (continued)

$$e^* = \begin{cases} e_1^* = \frac{q\alpha}{\beta} & \text{if } \alpha e \geq I^{\min} \\ e_2^* = 0 & \text{if } \alpha e < I^{\min} \end{cases}.$$

Moral hazard is precluded when  $e_1^*$  yields a higher value of the expected preference function than  $e_2^*$ , i.e., when  $E[V^h(e_1^* | I^{\min})] \geq E[V^h(e_2^* | I^{\min})]$ , which in turn implies that  $q\alpha^2/(2\beta) \geq I^{\min}$ . Under this “no moral hazard” scenario, the following conditions obtain:

$$E(C^h) = \frac{(q\alpha)^2}{\beta} + (1-q)I^{\min}$$

$$E(T) = (1-q)I^{\min}$$

$$E(C^m) = qI^m + (1-q)(I^m - I^{\min}) = I^m - (1-q)I^{\min}.$$

In contrast, under the moral hazard scenario, the conditions are:  $E(C^h) = E(T) = I^{\min}$  and  $E(C^m) = I^m - I^{\min}$ .

## ANNEX 4

A more general description of this model may be given as follows: Assume that the production function of the family enterprise in the origin country is given by  $\alpha(\ell - \beta\ell^2/2)$ , where  $\ell$  is the number of household members and  $\alpha > 0$  and  $\beta > 0$  are parameters. Suppose that there are two periods, 0 and 1, and each person needs at least  $I^{\min}$  to survive in each period. The household considers migrating in period 1. Let  $c$  be the cost of migration per person. If all household members work in period 0, then the number of migrants that can be financed by the household is given by

$$m^c = \left\lfloor \frac{\ell}{c} \left[ \alpha \left( 1 - \frac{\beta}{2} \ell \right) - I^{\min} \right] \right\rfloor,$$

where  $\lfloor x \rfloor$  is the floor function (which returns the nearest integer less than or equal to  $x$ ). The liquidity constraint with respect to migration cost is said to be binding if  $m^c < \ell$ . This is more likely to happen the lower are the values of  $\alpha$  and  $\ell$  (though, in the case of increases in  $\ell$ , the effect is that  $m^c$  increases at a decreasing rate) and the higher are the values of  $I^{\min}$  and  $c$ .

On the other hand, the liquidity constraint does not bind if  $m^c \geq \ell$ . For households that are so unconstrained, it is the profitability of migration that matters. Let  $I^m$  be the income of a migrant in a host country. Then the problem of liquidity-unconstrained households is to

$$\max_m \alpha \left( \ell - \frac{\beta}{2} \ell^2 \right) - mc + \alpha \left[ (\ell - m) - \frac{\beta}{2} (\ell - m)^2 \right] + mI^m,$$

where  $m$  is the number of migrants. From the first-order conditions, the optimal number of migrants may be derived as

$$\max_m \alpha \left( \ell - \frac{\beta}{2} \ell^2 \right) - mc + \alpha \left[ (\ell - m) - \frac{\beta}{2} (\ell - m)^2 \right] + mI^m,$$

It can be readily inferred that  $m^*$  is higher the higher are  $I^m$  and  $\ell$  and the lower are  $\alpha$  and  $c$ .

The observed number of migrants thus depends on both the liquidity constraint and the profitability condition. It is given by  $m^o = \min \{m^c, m^*\}$ .

When  $m^o < \ell$ , transfers will be observed. Assuming that total income is equally shared among household members, transfers will be the difference between mean household income and the origin-country income per household member left behind, i.e.,

$$\begin{aligned} T &= \frac{1}{\ell} \left\{ \alpha \left[ (\ell - m^o) - \frac{\beta}{2} (\ell - m^o)^2 \right] + m^o I^m \right\} - \frac{\alpha}{\ell - m^o} \left[ (\ell - m^o) - \frac{\beta}{2} (\ell - m^o)^2 \right] \\ &= \frac{m^o}{\ell} \left\{ I^m - \alpha \left[ 1 - \frac{\beta}{2} (\ell - m^o) \right] \right\}. \end{aligned}$$

# **The Social Dimensions of International Migration in the Philippines**

## **Findings from Research**

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The Philippines' fame as the top source country of workers for the global labor market has invited equal measures of wonder and wariness. On the one hand, the presence of Filipinos in virtually all the countries and territories the world over has been heralded as proof of the demand for Filipino workers.<sup>1</sup> The attainment of the deployment target of one-million workers in 2006 (which continued in 2007) was met with much self-congratulation by government officials in the country. On the other hand, dissenting voices in Philippine society see the phenomenon as the inability of the state to provide decent jobs and incomes, forcing its people to find better life prospects elsewhere. These polar views are emblematic of the debates over the reading of

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<sup>1</sup> The cover of the 2007 Annual Report of the Philippine Overseas Employment Administration, which is incidentally the agency's 25<sup>th</sup> year, proclaims, "Celebrating 25 years of dedicated service to the overseas Filipino workers, the world's number one" (POEA, 2007).

international labor migration and its impact on the country's present and future destiny. Although working abroad or going abroad has become routine in the Philippines – a strong indication that indeed a culture of migration has taken root in Philippine society (Asis, 2006a) – concerns over the social costs of migration predominate in the public discourse.

This chapter reviews research-based evidence on the social dimensions of international migration in the Philippines. It is a selective review which focuses on issues and concerns which have implications for the migration-development nexus. The presentation of key research findings is divided into two major sections: for research findings that are fairly established, the review extracts some policy challenges while for issues that have not received research attention, some suggestions for future research are indicated.<sup>2</sup> A brief presentation on the phenomenon of international migration in the Philippines and as a topic for research scrutiny provides an introduction to the main body of the chapter.

## **International Migration in the Philippines**

### *International Migration as a Fact of Life*

That international migration is huge in the Philippines is evident in many facets of the nation's life. Almost 3,000 Filipinos leave for overseas jobs daily, and everyday, Filipinos at home receive a regular dose of news about the triumphs and tribulations of Filipinos in other parts of the world. Perhaps no other country accords its overseas population the honor and recognition as does the Philippines: June 7 is Migrant Workers Day (a government-designated event to commemorate the passage of the Migrant Workers and Overseas Filipinos Act of 1995), the first Sunday following Ash Wednesday is National Migrants Day (an initiative of the Catholic Church), the month of December is Overseas Filipinos Month (spearheaded by the Commission on Filipinos Overseas), December 18 is International Migrants Day (an initiative

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<sup>2</sup> For a discussion on theoretical and methodological issues on migration studies in Asia (most of which is relevant to the Philippines), see Asis and Piper (2008) and Asis (2006). The review noted the proliferation of migration studies in the region, but significant gaps in linking empirical evidence with theory remain. The need for interdisciplinary and transnational approaches, among others, was stressed.



of civil society; it is now a global celebration, which started in the Philippines in 1997). The government considers overseas Filipino workers (OFWs) as *bagong bayani* (the “new heroes”) in appreciation of the sacrifices they make to support their families, and by extension, the nation’s economy.

International migration from the Philippines is more than the migration of workers, although the OFW phenomenon has been the most prominent and most debated.<sup>3</sup> The Philippines is not only a major source-country of workers and professionals, it is also among the major contributors of new immigrants to traditional countries of immigration: the United States of America, Canada, Australia and New Zealand. Immigration to these countries also started in the 1970s and has not abated since then; unlike labor migration, however, the role of the state is not as visible. Large-scale and state-organized overseas employment originated in the 1970s when the Philippines, along with other Asian countries, responded to the call for workers by the oil-rich Gulf countries. The migration of Filipino overseas contract workers (OCWs, as they were called at the time) to the Middle East in the 1970s extended to the newly industrialized countries in East and Southeast Asia in the 1980s and later to the rest of the world. Over the years, the idea of working abroad spread from a few pockets of the country in the 1970s to the whole archipelago.<sup>4</sup> Table 1 captures the rise of international labor migration over the years and its economic significance to Philippine society.

International labor migration from the Philippines has some characteristics that distinguish it from other origin countries in Asia. One, Filipino migrant workers are more widely distributed in the various world regions compared to other Asian migrants. Two, Filipino migrants work at various occupations, ranging from less skilled to highly skilled and specialized work. Moreover, Filipinos have secured a niche in nursing, seafaring, and domestic work. Three, in general, Filipino mi-

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<sup>3</sup> The overseas Filipino population includes permanent settlers (including those who marry foreign nationals) and various types of temporary migrants (such as migrant workers and student migrants). The term overseas Filipino refers to a Filipino based abroad while the term OFW specifically refers to temporary migrant workers. A related term, overseas contract worker (OCW), was widely used earlier, which specifically refers to legally deployed workers. The term OFW includes those who are legally and not legally deployed.

<sup>4</sup> For details, see Asis (2006a; 2008).

TABLE 1  
ANNUAL DEPLOYMENT OF FILIPINO WORKERS BY SECTOR  
AND REMITTANCES, 1975-2007\*

| Year | Land-based* | Sea-based* | Total Deployed* | Amount** |
|------|-------------|------------|-----------------|----------|
| 1975 | 12501       | 23534      | 36035           | 103.00   |
| 1976 | 19221       | 28614      | 47835           | 111.00   |
| 1977 | 36676       | 33699      | 70375           | 213.00   |
| 1978 | 50961       | 37280      | 88241           | 290.85   |
| 1979 | 92519       | 44818      | 137337          | 364.74   |
| 1980 | 157394      | 57196      | 214590          | 421.30   |
| 1981 | 210936      | 55307      | 266243          | 545.87   |
| 1982 | 250115      | 64169      | 314284          | 810.48   |
| 1983 | 380263      | 53594      | 434207          | 944.45   |
| 1984 | 300378      | 50604      | 350982          | 658.89   |
| 1985 | 320494      | 52290      | 372784          | 687.20   |
| 1986 | 323517      | 54697      | 378214          | 680.44   |
| 1987 | 382229      | 67042      | 449271          | 791.91   |
| 1988 | 385117      | 85913      | 471030          | 856.81   |
| 1989 | 355346      | 103280     | 458626          | 973.02   |
| 1990 | 334883      | 111212     | 446095          | 1181.07  |
| 1991 | 489260      | 125759     | 615019          | 1500.29  |
| 1992 | 549655      | 136806     | 686461          | 2202.38  |
| 1993 | 550872      | 145758     | 696030          | 2229.58  |
| 1994 | 564031      | 154376     | 718407          | 2630.11  |
| 1995 | 488173      | 165401     | 653574          | 4877.51  |
| 1996 | 484653      | 175469     | 660122          | 4306.64  |
| 1997 | 559227      | 188469     | 747696          | 5741.84  |
| 1998 | 638343      | 193300     | 831643          | 7367.99  |
| 1999 | 640331      | 196689     | 837020          | 6794.55  |
| 2000 | 662648      | 198324     | 841628          | 6050.45  |
| 2001 | 662648      | 204951     | 867599          | 6031.27  |
| 2002 | 682315      | 209593     | 891908          | 6886.16  |
| 2003 | 651938      | 216031     | 867969          | 7578.46  |
| 2004 | 704586      | 229002     | 933588          | 8550.37  |
| 2005 | 740,632     | 247,983    | 988,615         | 10689.00 |
| 2006 | 788,070     | 274,497    | 1,062,567       | 12761.31 |
| 2007 | 811,070     | 266,553    | 1,077,623       | 14449.93 |

SOURCES: POEA and BSP as cited in Asis (2008); data for 2006 and 2007 are from [www.bsp.gov.ph/statistics/spei/tab11.htm](http://www.bsp.gov.ph/statistics/spei/tab11.htm) and [www.poea.gov.ph/stats/2007stats.pdf](http://www.poea.gov.ph/stats/2007stats.pdf), accessed on 11 September 2008.

grants have more years of education compared to other Asian migrants. Their human capital and access to social capital (thanks to social networks) are enabling factors that contribute to the empowerment of Filipino workers. Finally, women are an important component of labor migration from the Philippines. From a predominantly male migration in the 1970s, female migration started in the 1980s and accelerated in the 1990s. Between 1992 and 2006, women migrants outnumbered among the newly hired land-based workers. The reduction in entertainer migration from 2005 (due to a change in Japan's policy), the introduction of stiffer requirements in the deployment of household workers in 2007, and the construction boom in the Gulf region have recently increased the demand for male workers. The gender balance tipped to about 50-50 in 2007 and there are indications of higher levels of deployment of male workers in 2008 (Uy, 2008). As to whether this will be a temporary change is too early to tell at this point.

The appreciation of the Philippines as a destination country of international migrants is overshadowed by the much larger emigration flows originating from the Philippines. At least two collected volumes, *The Philippines as Home: Settlers and Journeymen in the Country* (Asis, ed., 2001) and *Exploring Transnational Communities in the Philippines* (Miralao and Makil, eds, 2007), paint a portrait of the Philippines as a destination country. Among foreign nationals, the Chinese and the Indians have a long history of migration and settlement in the Philippines (see Chu, 2001; Yande, 2001; Thapan, 2001). In the early 1900s up until World War II, the Philippines received migrants from Japan (see Azurin, 2007). This historical backdrop has been lost in the larger migration flows from the Philippines to Japan from the late 1970s. Following World War II, the Philippines hosted some 5,500 Russian refugees who temporarily stayed in Tubabao Camp, Guiuan, Samar (now Eastern Samar) during the period, 1949-1953 (Ilieva, 2001). This was reprised in the 1990s, when Palawan welcomed Vietnamese refugees (Evangelista and Evangelista, 2007), one of few examples of local integration of refugees.

In the 1990s, the arrival of Korean tourists became noticeable, which coincided with the time that Filipino workers were finding their way in the Korean labor market.<sup>5</sup> From a trickle in previous decades, the number of Korean visitors surged like a wave during this period.

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<sup>5</sup> For details about Koreans in the Philippines, see (Miralao, 2007; Makil, 2007; Kutsumi, 2007).

By 2006, Koreans topped the list of foreign visitors to the Philippines, outnumbering arrivals from the US, who include overseas residents and workers (Damazo, 2007).<sup>6</sup> Aside from the usual tourists, Korean visitors include retirees, missionaries, and students. The creation of Korean communities in different parts of the country suggests that some settlement is taking place. A remarkable development is the arrival of young Koreans coming to the Philippines to enroll in short-term English language programs (usually a two-month program, which can extend into a longer period). The Koreans' choice of the Philippines as a tourist-cum-educational destination offers possibilities for a different kind of tourism. Relying on the Philippines' comparative advantage in the English language (although there is a need to sustain this advantage), this kind of tourism and its potential for generating jobs should alert policymakers about alternatives to overseas employment. In all, the past and present experiences of the Philippines as a destination country can serve as points of reference in how Philippine society treats foreigners, and what this response reflects about Philippine society and its people. For a fuller understanding of the migration-development nexus, a comprehensive view of the Philippines as an emigration country and as an immigration country (and as a transit country) is vital.

### *International Migration as a Research Issue*

The unfolding of international migration over the years has engendered considerable data collection and research activities in the country.

In the area of data collection, government agencies involved with international migration have taken great strides in tracking *departures* and *emigrations*. Compared to other countries in Asia, the Philippines stands out in terms of the amount of international migration data collected, the variety of government agencies involved in collecting migration-related information, and attempts at coordinating and harmonizing the collection, reporting and sharing of international migration sta-

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<sup>6</sup> Interestingly, South Korea is now the Philippines' biggest source of foreign direct investment, followed by Japan and the US. In 2006, South Korean investments amounted to US\$1.2 billion, accounting for a third of US\$3.5 billion total investments (Damazo, 2007).

tistics (*see* Asis, forthcoming).<sup>7, 8</sup> The Philippine Overseas Employment Administration (POEA) and the Commission on Filipinos Overseas (CFO) are the main government agencies involved in data collection activities. The POEA collects data on the volume, composition, intended occupation, and destination of overseas Filipino workers (OFWs) while the CFO collects data on the volume, composition and destination of permanent migrants, including Filipinos leaving to marry or married to foreign nationals. Remittances from overseas Filipinos are collected and reported by the Bangko Sentral ng Pilipinas (BSP). While inter-agency efforts are underway, much more needs to be done in order to reach common definitions reconcile discrepant estimates and maximize the usefulness of collected data to enhance policymaking. Aside from collecting more information, efforts must be also exerted in the processing of data.

In general, the Philippines has fairly good data on emigration or international migration *from* the Philippines, but data on international migration *to* the Philippines are sorely lacking, and data on the *return migration* of Filipino workers are virtually non-existent. Although the Philippines is mainly a country of origin, it is important to take a holistic view of the country's international migration experiences. The Philippines is not a prominent destination country for settlers, but it attracts short-term international visitors (*see also* Tigno, 2001). The country's bid to promote medical tourism and to position the Philippines as a retirement haven, among others, sets the stage for a possible increase in the number and diversity of international visitors; migration data systems must be able to capture these emerging trends. Recent measures introduced by the Bureau of Immigration to simplify visa applications and to lengthen the period of stay of non-immigrants in the country (*see* Asis, forthcoming) suggest a likely increase in international migration to the country. Also, it must be stressed that in the context of globalization, a country can be simultaneously origin, transit and destination.

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<sup>7</sup> The Philippines is part of the Migration Information System in Asia (MISA) Project supported by the International Labour Organization Regional Office for Asia and the Pacific. MISA is part of the Asian Regional Programme on Governance of Labour Migration and is coordinated by the Scalabrini Migration Center. MISA has 13 member countries or territories.

<sup>8</sup> For other reviews of international migration data in the Philippines, *see* Cariño (1987) and Castro (2007).

Since labor migration is temporary, the return of Filipino workers is a given. Thus far, data on the volume and composition of return of Filipino workers are largely unknown. Battistella (2004) attempted to come up with an estimate of return migration, but this was not followed up by similar efforts. One potential source of data on return migration is the arrival or disembarkation card that must be submitted by arriving passengers at points of entry. The disembarkation card contains data that can be used to derive basic information on estimates of return migration and the profile of returnees.<sup>9</sup> Although data are collected, they are not processed, and are thus not usable for research purposes. As will be discussed in a later section, return migration presents a challenge not only for data collection but also in terms of policies and programs. RA 8042 has provisions to support the return and reintegration of OFWS, but the implementation (and outcome) of reintegration programs so far has been uneven. The issue of measuring the return of the broader overseas Filipino population also needs further consideration. The return visits of Filipinos who have settled in other countries may be also significant, particularly when these visits can be occasions to promote the transfer of knowledge, innovations and good practices.

As a research issue, international migration in the Philippines also appears to be widely studied by Filipino academics and international scholars alike (Asis and Piper, 2008). At least three bibliographies on international migration studies in the Philippines have been compiled, reviewed and published (Saito, 1977; Scalabrini Migration Center, 1996; Perez and Patacsil, 1998). Also, reviews of international migration studies in the Philippines have been undertaken by Go (2002) and Asis (2002a, 2006). From about the 1980s, migration studies in the Philippines are mostly about international labor migration to the neglect of internal migration. The latter also raises research and policy which should be attended to. In the context of diverse population movements, privileging international migration over internal migration is myopic. In terms of scale, more people migrate internally than internationally. Also, issues on remittances, brain drain/brain gain, social costs, family

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<sup>9</sup> The bottom part of the disembarkation card is marked "For Philippine Overseas Workers/Balikbayan Use Only." There are three pieces of information asked of returning workers: OCW ID Number, Date of Last Departure, and Reason for Returning to RP [the choices are: contract terminated, vacation/on leave, health, and others (specify)]. One way to measure return migration is to match arrival cards with departure cards.

separation, among others, are not limited to international migration, although they have received more scrutiny in the cross-border context.

## **Key Findings Relating to Migration and Development**

### *What Research Findings Indicate*

#### The momentum for future migration is set

Many factors point to more migration in the future. Economic considerations continue to fuel the migration intentions of Filipinos. A 2004 study of departing migrant workers noted that lack of job opportunities; irregular employment and low wages still dominate the reasons for migration, suggesting the persistence of push factors that compel Filipinos to look beyond the Philippines to survive or to improve their conditions (Asis, 2005). The institutionalization of migration, however, is also important in shaping migration decisions. Those considering overseas employment can find support from the government and the private sector to realize their migration intentions. The state-led labor migration program that started in the 1970s has established legal and institutional structure to facilitate migration. Initially, labor migration was heavily oriented to seeking labor markets, but this was later tempered by initiatives to protect migrant workers. The Philippines has passed two laws to promote the protection of migrants, namely, the Migrant Workers and Overseas Filipinos Act of 1995 (Republic Act or RA 8042) and the Anti-Trafficking in Persons Act of 2003 (RA 9208), and it enacted two laws to promote the political rights of migrants, namely, the Overseas Absentee Voting Act of 2003 (RA 9189) and the Citizenship Retention and Re-acquisition Act of 2003 (RA 9225). In addition, the Philippines has ratified various international instruments, including the International Convention to Promote the Rights of All Migrant Workers and Members of Their Families. The Philippines has built an elaborate bureaucracy that deals with the various aspects of international migration: OFWs are under the purview of the POEA, the Overseas Workers Welfare Administration (OWWA), and the Office of the Undersecretary for Migrant Workers Affairs while permanent settlers are the primary responsibility of the CFO (for details, *see* Asis, 2008). The recent target to send a million migrant workers every year (NEDA, 2004) sends a pro-migration signal, a move that departs from

the previous official stance that migration is supposed to be temporary. Sec 2 (c) of RA 8042 categorically states that "... the State does not promote overseas employment as a means to sustain economic growth and national development." This has not been amended. Nonetheless, the new policy recognizes labor migration as part of the government's development strategy in the context of globalization.<sup>10</sup>

Aside from the state, other institutions in Philippine society are supportive of international migration. There are more than 1,000 recruitment agencies which are in the business of promoting worker migration – for a fee. Educational institutions also promote migration through programs that promise students employment opportunities abroad. Nursing schools (more than 400) and maritime schools (more than 100) have proliferated in response to global labor market needs, a development that has raised concerns over the quality of education provided by these institutions.

Families and households have also become attuned to international migration and highly responsive to global labor market prospects. Once a family member starts to migrate, other members tend to tread the same pattern. Labor migration, thus, is simultaneously an economic and social process. Working abroad becomes part of the family's livelihood strategies (Porio, 2007), which is made possible by the flow of information and support extended by earlier cohorts of migrant family members to aspiring migrants. From the standpoint of networks, the 8.7 million overseas Filipinos are the personal links of millions of Philippines-based Filipinos to the outside world.

Nationwide surveys conducted by Pulse Asia reveal a growing percentage of adult Filipinos wanting to migrate. Moreover, working abroad someday is already part of the imagined future of young children. In the 2003 survey of children in the ages 10-12 years old, 47.3 percent said that they had plans to work abroad someday; the children of OFWs were more likely to report that they had plans to work abroad someday than the children of non-migrants (60.4 percent vs. 47 percent) (ECMI/AOS-Manila, OWWA, SMC, 2004).

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<sup>10</sup> The message of former Labor Secretary Patricia Sto. Tomas in the 2001 *POEA Annual Report* presages a renewed emphasis on the deployment of Filipino workers. While pursuing the welfare of OFWs, she also stated an equally important thrust: "... What we probably need now is a greater focus on marketing and how to ensure that the deployment of our workers can be done faster, better, and at the least cost to them. We probably also ought to set the ground rules for being able to meet market demands very quickly" (as cited in Asis, 2008:198).



### *Policy Challenges*

- Stemming the tide of international migration is up against very strong currents of personal interest (which is widespread), economic reasons (the wage gap between the Philippines and other countries), and the influence of social networks (which facilitate migration). Individual decisions to migrate may be beneficial to aspiring migrants and their families, but these may have societal ramifications. The government's deployment-oriented policy encourages Filipinos to seek opportunities in other countries. As to how continued deployment of workers and professionals will contribute to development is as yet an untold story. Based on the lessons from former emigration countries turned immigration countries, their development did not rest on deployment and/or remittances but on embarking on comprehensive development policies and programs (e.g., see Asis, 2006b). To identify necessary and sufficient conditions to sustain development, it might be helpful to explore policy options for the country's development prospects under two scenarios: (1) where there is no international migration; and (2) where there is continuing international migration.
- The Philippines should explore the possibility of forging development cooperation with countries that recruit Filipino workers and professionals. Memoranda of agreement or bilateral agreements with countries of destination can be expanded to ensure that the development prospects of the Philippines are not jeopardized by the recruitment of Filipino human resources.
- The Philippines may not be able to compete with the wages offered by other countries, but it can attempt to expand non-wage benefits and opportunities. The government needs to explore ways to improve opportunities for Filipino workers to acquire a house and lot. Having one's own house is central to the Filipino concept of well-being; and it ranks among the top investments of OFWs. Access to affordable housing can help retain experienced human resources in the country.

### Educational and work aspirations are oriented to international migration

Migration prospects are molding the educational and work aspirations of the Filipino population. The most obvious evidence in recent years is the phenomenal popularity of nursing. While nursing had always been a popular choice, the recent surge is much bigger and the primary motivation seems more linked to migration chances, i.e., as nurses, they

have better chances of working abroad and they can petition other family members to join them.<sup>11</sup> The phenomenon of doctors studying to become nurses seems to be peculiar in the Philippines. The fact that there are programs designed for doctors studying to be nurses reflects the responsiveness of educational programs to labor market demands. As the popularity of nursing surges, the enrollment in medical schools has declined. The commercialization of nursing programs has raised questions about the quality of training and has spawned another industry, the mushrooming of nursing review centers, to coach ill-prepared graduates to pass the nursing licensure examination. Those who do pass the examination add to the oversupply of new nurses. Similar patterns have been observed in the seafaring sector, another occupation that has been identified as a Filipino niche. Maritime schools flourished, producing large numbers of seafarers, who then have difficulty finding placements. Due to overproduction, the Philippines has excess numbers of entry-level nurses and seafarers, who cannot be absorbed by the local economy. At the same time, the country lacks specialized nurses and officers, who are in great demand domestically and internationally.

As individuals and families make plans about education and work based on jobs that are needed abroad, there is the danger that the needs of the domestic labor market will be overlooked. If left unchecked, the country may end up with an educated but unemployed population because their training or skills do not match the needs of the domestic labor market. At the same time, the country will be short of certain skills and will be hard pressed to meet critical skills to support or promote development. The government's goal to deploy more highly skilled and professional migrants must consider the implications of this policy on the country's development prospects in general and human resources needs in particular. As it is, nurse migration has affected the health delivery system – some rural clinics and hospitals have reportedly shut down or the staff members are overburdened because of the departure of nurses (e.g., Lorenzo et al., 2007; Galvez-Tan et al., 2005).<sup>12</sup>

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<sup>11</sup> In 2007-2008, a total of 632,108 students were enrolled in nursing programs, up from 486,233 in 2006-2007 (*The Manila Times*, 13 June 2007).

<sup>12</sup> In the roundtable discussion with government agencies involved in human resource development, the reported "shortage" of nurses in the country was specifically the shortage of experienced nurses. According to the representative from the Department

The nursing situation has received the most attention; the impact of professional migration in other sectors is not known. The “poaching” of Filipino pilots by other international airlines hogged media attention several years ago, prompting the government to require a six-month notice of resignation instead of the usual one-month notice. The migration of professionals can go unnoticed because they can bypass POEA. For example, those leaving as immigrants or as tourists (who later adjust their status in the receiving countries) need not go through POEA. Student migration can also lead to professional migration in view of recent policies in immigration countries offering residence to international migrants who have completed studies. The country can stand to

### *Policy Challenges*

- The concentration of tertiary students in nursing programs and maritime courses can result to a highly imbalanced portfolio of the country’s human resources. An assessment of the stock of current and future human resources against current and future needs is in order. Among the questions for consideration are: What skills and competencies does the country need over the short-term and over the long-term? What is being done *now* to meet those needs? What resources are required to ensure that the country will have a sufficient supply of trained personnel to meet the needs of the domestic labor market?
- While decisions about career options are largely individual decisions, educational institutions can play a crucial role in exposing students to different career and occupation paths. Career guidance may be integrated in the curriculum and extra-curricular activities in schools. Also, incentives in the form of scholarships can be offered to encourage students to consider less popular fields of study.
- Entrepreneurship can be given more attention as an occupational or livelihood option, especially among young people. The demands and rewards of entrepreneurship should be promoted as a viable alternative to paid employment and overseas employment.

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of Health, the country has many nurses (considering the large number of graduates every year); what is shrinking is the pool of experienced nurses.

lose this talent pool. A systematic mapping of the country's human resources and the needs of various sectors will be useful in determining the supply of workers against the demand for workers by specific sectors.

Family impacts are mixed: economic benefits co-exist with emotional displacement

In the Asian context, family reunification is not allowed for migrant workers in less skilled occupations. Temporary labor migration, thus, has created transnational families, i.e., families whose members are located in different locations. The human rights violations of Filipino workers abroad and the separation of family members have generated anxieties in the Philippines since the migration of workers to the Gulf region in the 1970s. The participation of women in migration from the 1980s has upped the ante on family impacts because their departure creates a void of carers in families and households. The separation is feared to have adverse consequences on marriages and parent-child relationships. The migration of unmarried migrants does not disrupt or rearrange family roles as does the migration of married migrants, especially women.<sup>13</sup>

The impacts on children left behind have been examined more closely than the impacts on marital relationships.<sup>14</sup> A 2003 nationwide study was jointly undertaken by the ECMI/AOS-Manila, SMC and OWWA (2004) focused on children in the ages 10-12 years old, including children in migrant and non-migrant families.<sup>15</sup> The survey of 1,443 children revealed that children of migrants were doing better than children of non-migrants in terms of material indicators. Also, children of migrants were found to perform as well, if not better, compared to children of non-migrants in academic and health indicators.

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<sup>13</sup> See Parreñas (2006; 2001), Asis, Huang and Yeoh (2003), Pingol (2001), Arellano-Carandang et al. (2007), Dizon-Añonuevo and Añonuevo (2002) for a discussion on the repercussions of female migration on the left-behind families.

<sup>14</sup> Pingol (2001) focused on the left-behind husbands; part of the Asis, Huang and Yeoh (2004) study discussed the perspectives of the same group.

<sup>15</sup> The study was limited to children who belong to two-parent families. Children of migrants were divided into: children of migrant mothers; children of land-based migrant fathers; children of sea-based migrant fathers; and children whose parents were both working abroad.

Findings from the study suggest that children benefit from remittances, as evidenced by children of migrants being more likely to attend private schools, their greater participation in extra-curricular activities, and better physical health indicators. The emotional aspects, however, paint a different picture. Children of migrant mothers in particular are most affected compared to other groups of children, a finding which also showed up in an earlier study by Battistella and Conaco (1998). The trade-offs between the benefits from remittances and the care of children was also examined in Edilion (2008). Part of the 2003 study included focus group discussions (FGDs) with older children (adolescents) as well as with left-behind spouses. Results from the FGDs pointed to painful emotional issues that are not adequately captured by surveys. Although communication between family members has been made faster and cheaper by ICT developments, the family members left behind long for their families to be together or to be “complete” (*see also Arellano-Carandang et al., 2007*).

Overall, the family impacts of migration present a mixed picture – migration can benefit families economically, but at the same time, the separation robs family members of the shared life that families long for. Although the departure of fathers also requires adjustments, on the whole, families are generally able to cope in the absence of fathers because mothers assume father roles as well. The migration of mothers results in new living arrangements as left-behind families try to fill the caregiving functions traditionally assigned to mothers. When mothers leave, fathers do not assume caregiving functions; instead these are passed on to other female relatives, mainly grandmothers, aunts and daughters.<sup>16</sup> The 2003 study pointed out that if a family member has to work abroad, children (as well as husbands) would prefer that mothers remain at home (ECMI/AOS-Manila, SMC and OWWA, 2004). From their case studies of families of migrant women, Arellano-Carandang et al. (2007) suggest programs for young children, adolescents and fathers to help them cope with the absence of mothers. Thus far, the focus has been on the care of children left behind. The care of elderly parents and relatives has been less discussed in the literature. The relatively young

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<sup>16</sup> An ongoing study on the health and well-being outcomes of transnational migration is currently underway in four Southeast Asian countries: the Philippines, Indonesia, Thailand and Vietnam. All four countries carried out a survey of 1,000 households in the months of April-July 2008. The project is coordinated by the National University of Singapore and University of St. Andrews; the Philippine component is implemented by the Scalabrini Migration Center.

and elderly, especially grandmothers, assume the role of parenting and caring for the left-behind children. As they age and as their health conditions deteriorate, OFW families will have to grapple with the care of the elderly.

### *Policy Implications*

- Families are reluctant to seek psychological support from outside the family circle. Programs that tackle the problems and responses to psychological and social issues can be developed for radio and television to deliver key messages to OFW families.
- The school can be an avenue for delivering programs to OFW families. The 2003 study found that children seek out their teachers when they have problems. In this regard, teachers may need some training or materials in counseling to enable them to guide their students. School programs and activities can be launching pads for information-education drives on parenting, financial literacy, and other relevant topics.
- Existing community-based organizations, such as church or parish-based organizations, can be also tapped to introduce programs for OFW families.
- Children of OFWs have concerns, which policies and programs must respond to. Some examples of innovative approaches targeting children include the formation of children's savers' clubs (a project of Atikha), organizing the sons and daughters of OFWs (an example is Anak Batangueno, an initiative by the Lipa Archdiocesan Council for Migrants and Mission), or using theater as a learning and creative exercise (an example is Teatro Akebono, a theater group of former entertainers and Japanese-Filipino children, formed by the Development Action for Women Network).

### Migrant workers bear the costs of migration

Although the Philippines has introduced protective and empowering mechanisms to promote migrants' rights (e.g., see Asis, 2008), these are not sufficient because of enforcement problems and lack of parallel efforts in destination countries. A basic source of the vulnerabilities of migrants is defined by supply and demand factors. There are many aspiring workers vying for limited jobs in the global labor market, a situation that is exploited by the unscrupulous practices of the migra-

tion industry and employers, as well as the involvement of unlicensed agencies, smugglers and traffickers. The concentration of women migrants in unprotected sectors provides more cause for concern over their well-being. In 2007, the Philippines implemented several measures to protect domestic workers: increasing the monthly minimum wage from US\$200 to US\$400, removing the placement fee, and requiring workers to undergo language and cultural training. The move was met with protest by employers and recruitment agencies; some NGOs criticized the government for the money-making training program and for depriving women of employment opportunities. POEA data in 2007 reveal a sharp drop in the deployment of domestic workers, which was compensated by an increase in the deployment of skilled workers. There are suspicions that while deployment through official channels has gone down, deployment through unofficial channels may have increased.

NGOs have contributed significantly in raising awareness about the conditions of migrant workers at all stages of the migration process. In support of their advocacy work, NGOs also conduct research, generating useful information on the working and living conditions of migrants; in the process, NGOs have also emerged as producers of knowledge on migration issues in Asia (Asis and Piper, 2008). Among countries of origin in Asia, the Philippines has the most number of NGOs addressing migration issues (Scalabrini Migration Center, 1997), and in destination countries, specific NGOs have been established to respond

### *Policy Challenges*

- There are concerns that the target to send a million workers every year may compromise the government's resolve to promote the protection of the rights of migrant workers. The growing OFW population should be matched by the allocation of more resources to ensure that the protection of migrant workers is not sacrificed.
- The government should continue to pursue bilateral and multilateral agreements with destination countries to ensure that pre-departure efforts are sustained by necessary measures on-site and upon the return of migrant workers. Cooperation with other origin countries is vital in negotiating with destination countries.

to the needs of Filipino migrant workers. The presence of the Catholic Church in destination countries is also a lifeline to Filipino migrants, many of whom are Catholics. Aside from providing spiritual support and links to other Filipinos, most churches develop programs and services for migrants, which Filipino migrants access (Asis, 2002b). A factor that contributes to the empowerment of migrants is the formation of migrants' associations. By providing them with capacity-building programs and other support, these associations can realize their potentials to be agents of change for Filipino communities overseas.

### *Issues for Further Research*

#### Return migration is a big unknown

As mentioned earlier, there are no estimates on how many OFWs have returned to the Philippines. If the measure of return migration is returning permanently, or "for good" as migrants call it, the scenario is best described as a moving picture instead of a static photograph. One complication is the tendency of OFWs to extend their contracts, turning temporary overseas employment into de facto "regular" employment. This is supported by deployment data from POEA which indicate that rehires constitute more than half of the annual deployment of land-based workers.<sup>17</sup> Migrants may start out with a plan to return home after a certain period of working abroad. In reality, once migrants have experienced working abroad, their return plans turn into an open-ended timeframe. Migrants are wont to say that they will continue to work abroad for as long as their health will allow them to, or if they have accumulated enough savings, or once their children have completed college education (e.g., Asis, 2001; Baggio and Asis, 2008).

Under the regime of temporary labor migration, return to the home country is structural for migrant workers in less skilled occupation, i.e., they are not allowed to settle in their countries of employment.<sup>18</sup> For this group, Battistella (2004) proposed a typology of returnees: success-

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<sup>17</sup> In 2006, 60 percent of land-based workers were rehires; in 2007, rehires comprised 61.3 percent (computed from data on total deployment, new hires and rehires among land-based workers).

<sup>18</sup> It is different for highly skilled and professional migrants, who are allowed to bring their family members and are offered residence in destination countries.



ful returnees, i.e., those who returned home after completing their contract; those who returned prematurely due to work-related problems or emergency situations in the domestic front; and those who returned home because of external crises, such as the 1981 Gulf War or the 2006 conflict in Lebanon. The schema is a useful starting point in defining different types of return migrants and in identifying their needs. More reflection and research are needed to refine this typology. Additionally, notions of return migration must be examined more closely. For some migrants, return migration may be the final stage that signals the return to the home country and the end of migration. For other migrants, the end of the migration episode in one destination may be followed by migration to another destination. Other than temporary migrant workers, the concept of return migration may be extended to migrant workers in other contexts (e.g., access to residence by migrant workers in Italy and Spain may have implications for return migration) and permanent migrants. The growing literature on transnationalism suggests that permanent settlers engage in temporary return migration through visits; other permanent settlers return to their origin countries at time of retirement.

Among government-initiated programs for migrants, the track record of reintegration programs in the Philippines has not been very encouraging. The latest attempt to reinvigorate the government's reintegration program is the establishment of the National Reintegration Center for OFWs (NRCO) in 2007. Acknowledging the difficulties faced by returning OFWs, the "new" reintegration program aims to "... systematically gain more from the new attitude, skills, knowledge, assets and technologies of our migrant workers to promote brain gain and drive the economy forward to a higher plane" (see <http://www.nrco.dole.gov.ph/About.aspx>). Unlike past approaches (which focused on individual reintegration), the new reintegration program brings in the "brain gain" aspect of return migration. However, as suggested earlier, the program should consider the different needs and resources of returning migrants. Not all migrants succeed in their migration project. Those who have been trafficked, those who experienced abuse, and those who had traumatic experiences abroad need economic and psychological help to rebuild their lives. In order to assess the development potentials of return migration, will have to take into account the profile of those who migrate and their occupational experience overseas, which will determine what they will bring back with them when they return to the Philippines. As regards the OFW

population, it is high time that baseline research on the scale and profile of return migrants is undertaken. An analysis of departure and arrival cards as mentioned earlier is one possibility; or questions on return migration may be included in existing surveys (such as the Labor Force Surveys) or in future censuses. It will be easier to design follow up studies once some baseline information has been collected. As regards to return visits or the return migration of permanent settlers, NRCO can coordinate with government agencies that have had experience in cooperating with overseas Filipinos – the CFO (LINKAPIL Program, among others), the Department of Science and Technology (which implements the Balik Scientist Program), and the Department of Tourism (which, among others, offers heritage tours targeting overseas Filipinos). An assessment of the strengths and limitation of existing programs can serve as a basis for moving forward.

#### There is a need to assess the development potentials of return migration

Upon their return to the Philippines, economic reintegration is the primary concern of migrant workers (e.g., Asis, 2001; Dizon-Añonuevo and Añonuevo, 2002). Prior to migration, migrants aspire to save enough money to start a business, a dream that is not easy to realize or to sustain. In a study of female return migrants, 40 out of 100 respondents started a business, mostly in sales and services (Asis, 2001). Only 11 out of the 100 respondents went into paid employment upon their return; many of those who did not engage in economic activities planned on returning to work abroad.

Considering that most migrants work at less skilled occupations abroad, the prospects of brain gain are not optimistic. In the case of women migrants, with most of them engaged in domestic work, even if they had undergone skills training while they were abroad, their background as domestic workers poses a disadvantage. Given the low wages in the local labor market, domestic work in the Philippines is not an attractive option for returning domestic workers. Those who had worked as entertainers carry a stigma, which narrows their chances of seeking paid employment upon their return to the Philippines (e.g., Asis, 2001).<sup>19</sup> In their assessment, working abroad has been worthwhile

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<sup>19</sup> The Development Action for Women Network has developed reintegration programs for former entertainers to Japan (see <http://www.dawnphil.org>).

because they were able to help their families, and the experience helped them acquire a better sense of their strengths; for those who were involved in church activities and organizations, they also learned leadership and organizing skills. These newfound competencies, however, do not translate into marketable skills in the Philippine labor market. Back in the Philippines, their livelihood options are limited to self-employment and returning to work abroad. Returning male migrants encounter the same challenges, although they are less burdened by the low regard for domestic work or the stigma of entertainment work that affect women. The baseline study mentioned earlier can probe the needs and plans of these return migrants, which can be useful in the formulation of reintegration programs.

A recent research probing democratization through migration suggests that returning OFWs who had experienced living in a society that is able to meet the needs of its citizens (regardless of the political system of the host country) inclines OFWs to be more demanding of the Philippine political system (Kessler and Rother, 2008:1). In a survey conducted in 2006 – 1,000 OFWs who had returned from Japan, Taiwan, Saudi Arabia, United Arab Emirates, Qatar and Hong Kong, and another 1,000 departing migrants – 65 percent of OFW returnees as compared to 73 percent of the departing migrants stated that “democracy was always preferable to any other kind of government.” Qualitative data collected as part of the study uncovered that respondents were greatly disappointed by Philippine democracy: “They felt neglected and discriminated as poor and/or uneducated citizens and they experienced the political system as exclusively serving the interests of the elite” (Kessler and Rother, 2008:1). The authors also noted the divide between public discourse in the Philippines about the exploitation of OFWs and the return migrants’ positive regard of their stint abroad. Since most migrants were able to achieve their goals, even if they had experienced difficulties, they assessed their time abroad positively.

Concerning the migration of highly skilled workers and professionals, there are various issues concerning brain drain/brain gain implications and prospects that need to be uncovered. Some examples are: an inquiry on the transfer of knowledge and skills from migrants returning from overseas employment and those who pursued advanced studies abroad, and an assessment of transfer of knowledge and skills from visiting overseas Filipino professionals. A comparative study of programs, schemes and incentives by other countries to encourage their nationals to return (either permanently or on a temporary

basis) and share their expertise in their home countries can be insightful.

Migrants are interested in contributing to humanitarian and development programs

Until recently, research interrogating the development impact of migration has focused on remittances; recent research has explored migrant giving and social remittances. Exploratory studies on migrant giving (also referred to as diaspora philanthropy) in the Philippines suggest an interest by overseas Filipinos to contribute to humanitarian and development programs in the country (e.g., Opiniano, 2005; Powers, 2006; Silva, 2006; Baggio and Asis, 2008).<sup>20</sup> The CFO's Link to Philippine Development Program (see Roma in this volume) is perhaps a pioneer in the Asian region in instituting a program to encourage and facilitate overseas Filipinos to support development projects in the home country. Overseas Filipinos, either individually or as organizations, are contributing to various causes in the Philippines without going through the CFO or other government entities (see Añonuevo; Alayon; Rispens-Noel; and Basa in this volume).

The interest of Filipino migrants to share their resources has cultural underpinnings, derived from the values of *bayanihan*, *damayan* and *pakikipagkapwa*. These motivations, however, were hindered by migrants' reservations about corruption and distrust in government institutions (e.g., Baggio and Asis, 2008). The Scalabrini Migration Center, in cooperation with Fondazione ISMU (Initiative e Studi Sulla Multietnicita) in Italy, the University of Valencia in Spain, and the Commission on Filipinos Overseas in the Philippines, embarked on a project to explore how Filipino migrants' associations in Italy and Spain on the one hand, and Philippine government institutions (including local government units) on the other, can cooperate to support development processes in the Philippines.<sup>21</sup> In Italy and Spain, the research phase of

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<sup>20</sup> See also <http://www.filipinodiasporagiving.org>.

<sup>21</sup> The project, Migrants' Associations and Philippine Institutions for Development (MAPID), is supported by the European Union, under Aeneas Grant Contract NO. MIG R/2007/13-548(11). The project is divided into three phases: research in 2008; the development of training programs and materials and the conduct of training programs in 2009; and dissemination activities in 2010.

the project aims to know more about migrants' associations and Filipino migrants' integration in the receiving countries, their transnational practices, and future plans; in the Philippines, the research probes into awareness of the migration-development nexus by officers and key staff of migration and development agencies and local government officials, and the documentation of migrant giving, migrant investments and models of partnership between overseas Filipinos and local institutions. The project is an opportunity to expand knowledge about migrant giving by Filipinos outside of the US context, which has received the most attention thus far. Further research should focus on preparing and strengthening the capacity of government institutions in integrating international migration in development planning and in engaging with overseas Filipinos. Research should also include an assessment of good practices in other contexts (e.g., *see* Delgado Wise and Garcia Zamora in this volume) and their relevance in the Philippine setting.

Absentee voting has low turnout; citizenship law has few takers thus far

Among the origin countries in Asia, the Philippines has gone the farthest in extending political rights to its overseas population through absentee voting and the dual citizenship law. Qualified overseas Filipinos cast their votes for the first time in the May 2004 presidential election; they had another chance to vote in the 2007 election for senators and sectoral or party-list representatives.<sup>22</sup> The participation of overseas Filipinos in the elections thus far fell below expectations (Cariño, 2007). Proponents viewed the overseas Filipino vote as an "intelligent vote" and as above the fray of vote-buying and patronage policies.<sup>23</sup> In the 2004 and 2007 elections, 364,187 and 504,110 (excluding 18,404 seafarers) registered, respectively (Aguilar, 2007). In terms of voter turnout, in 2004, 65 percent or 233,092 of registered voters cast their votes; in 2007, only 21 percent or 81,732 of those who registered actually voted (Senate of the Philippines, 2008). In light of this, some observers are calling for the scrapping of what they consider as a costly exercise.

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<sup>22</sup> Absentee voting is reserved for national elections, i.e., for president, vice-president, senators and sectoral or party-list representatives.

<sup>23</sup> Critics, however, also point out that overseas Filipinos may be out of touch with issues in the Philippines.

Supporters of absentee voting, on the other hand, argue that administrative and logistical constraints discourage overseas Filipinos from exercising their right to vote.<sup>24</sup> Instead of scrapping it, they urge for reforms that will make registration and voting more accessible to overseas Filipinos.<sup>25</sup>

The minimal participation of US-based Filipinos is interesting considering that the National Federation of Filipino American Associations (NaFFAA) was among those which lobbied for the passage of absentee voting (Aguilar, 2007). He suggests that the transnationalism of US-based Filipinos is familial, ethnic, or national, but not political. In contrast, the more active participation of OFWs in absentee may derive from their limited incorporation in their countries of employment. In practice, the two laws seeking to incorporate overseas Filipinos in the national fold works out differently – absentee voting is more likely to involve OFWs whereas the citizenship law caters more to permanent immigrants (Cariño, 2007). Initial analysis of absentee voting has highlighted the problematic provisions and implementation of the law. A study on the factors that influence overseas Filipinos to exercise the right to vote should aid in identifying facilitating and constraining factors. In the future, it will also be interesting to determine the extent and impact of political transnationalism on the electoral process.

Since the citizenship retention and re-acquisition law was enacted in 2003, more than 51,000 have reacquired their Filipino citizenship (*Asian Migration News*, 1-31 August 2008). It is no secret that this law was passed with a view to attract investments by permanent settlers. It is too soon to assess the law's impact on the country's development prospects. At some point, it will be valuable to explore the motivations of permanent settlers to reacquire Filipino citizenship; a comparison with those who are not interested in reacquiring Filipino citizenship will be equally insightful. Such a study will contribute to an understanding of the meanings of citizenship and transnationalism. Another

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<sup>24</sup> Personal voting and the requirement to submit an affidavit to return the Philippines three years after registration are among the problematic issues (Cariño, 2007). Voting by mail was allowed in only three countries in the 2004 elections – Japan, Canada and the United Kingdom. In 2006, the Supreme Court ruled that *dual citizens* need not establish residence in the Philippines to qualify to register as an absentee voter (CFO, 2006).

<sup>25</sup> Senators Manuel Villar and Aquilino Pimentel authored Senate Bill 2333 to address the flaws in the absentee voting law. The bill “provides that qualified overseas Filipinos, including seafarers, will have the option to vote either personally or by mail or by any other means as may be allowed by law” (Senate of the Philippines, 2008).

topic for future research is the impact of the citizenship law on investments, including migrant giving and the transfer of social remittances. Also of interest are the views and practices of citizenship of Philippines-based Filipinos in the light of the country's long and extensive experience with international migration.

## Conclusion

Research can be a tool to inform policymaking in order to maximize the potential benefits and minimize the potential threats of international migration to the development prospects of the Philippines. As the previous discussion shows, research can contribute in defining problems and issues, assessing policy options, and suggesting emerging trends. Despite the volume of migration research in the Philippines, the link between evidence-based knowledge and policymaking is rather loose. A study by Go (2002) on the impact of research and policymaking on migration questions in the Philippines suggests the limited influence of research on migration policies. Interestingly, the study noted that the lobbying of NGOs and public opinion seemed to exert more bearing on migration policies than do research outputs. With their advocacy orientation, NGOs actively seek government accountability and action, which puts them in closer contact with government agencies. The engagement with government can range from confrontational to cooperative. One notable development in the NGO-GO relationship is the formation of the Consultative Council on OFWs (CCOFW) in 2001, an attempt to formalize the dialogue between NGOs and government agencies on issues affecting OFWs. The dialogue was suspended at some point when some NGOs raised questions over some policy issues – Omnibus Policy of OWWA, the transfer of Medicare from OWWA to PhilHealth, and the \$25 OWWA membership fee collected from OFWs.<sup>26</sup> The dialogue has resumed. Although it encounters problems from time to time, overall, it provides the possibility of engagement between these two important stakeholders.

A similar mechanism for dialogue between the research community and government agencies can enhance the use of evidence-based knowledge in policy formulation. Given the complexity and multifac-

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<sup>26</sup> For details, see the website of the Philippine Migrants Rights Watch, <http://www.pmrw.org>.

ceted dimensions of the migration-development nexus, policy formulation in this area stands to benefit from research inputs. In the face of budget constraints, government agencies tend to prioritize services over research and data, which are regarded as “luxuries.” On the contrary, research and data are essential to help steer policymaking towards more effective and responsive actions. Similarly, research can contribute to advocacy work. In an imperfect, contentious and politicized world, evidence-based knowledge offers a lens to see things more clearly.

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# The Migration-Development Disconnect in the Philippines

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Scalabrini Migration Center

## Introduction

At the beginning of the new millennium, the international community “suddenly” realized that hundreds of billions of US dollars are remitted every year to developing countries by their nationals working abroad. In recent years, migrants’ remittances have been found to account for a considerable share of the GNP of several countries of origin. Individual scholars and multidisciplinary research teams have been engaged in assessing the “development impact” of such a huge influx of capital to the national economy of the major sending countries. Policymakers have turned their attention to the migration-development nexus, aiming to boost the development potential of the economic contributions of their diaspora. The initial enthusiasm about the nexus has been tempered by the outcomes of many interdisciplinary studies, which considered indicators other than macroeconomic in keeping with the multidimensional nature of development. Moreover, some scholars highlighted the need to include in the discussion the evaluation of the “social costs” of international migration. The assessment of the development impact of international migration should always con-

sider the complex equation between costs and benefits at the economic, political and social levels. The case of the Philippines, whose migration policy is often proposed as a model to other sending countries, presents a good example to carry out such a cost-benefit assessment.

## Migration and Development in the Philippines

As of December 2007, the Commission for Filipinos Overseas (CFO) estimated that 8,726,520 Filipino nationals were living overseas.<sup>1</sup> According to the official figures prepared by the Philippine Overseas Employment Administration (POEA), during the year 2007, 1,073,402 Filipinos migrated abroad as regular migrant workers, showing a slight increase from the 1,062,567 deployed in 2006 (Antonio, 2008). In 2007, overseas Filipinos remitted through legal channels about US\$14.4 billion, which made up 9.2 percent of the total GNP (BSP, 2008).

The economic benefits of Filipino migrants' remittances at both the macro and micro levels cannot be denied. At the macroeconomic level, the surge in remittances has been boosting the Philippine peso, easing the foreign debt burden and taming national inflation. Although remittances play an important role in boosting the Philippine GNP, there is not much evidence to show that migrants' money transfers have significantly improved the domestic economy. At the microeconomic level, the families of Filipino migrants appear to benefit from foreign remittances. Also, considerable inflows of individual and collective remittances are sent by the Filipino diaspora to government agencies, NGOs and migrants' associations to contribute to social programs in the Philippines. Some of this diaspora giving has been already institutionalized by government agencies (e.g., the Commission for Filipinos Overseas) and the private sector (e.g., Ayala Foundation, Inc.). Among the benefits of migration are the contributions of collective migrants' investments to productive projects. In this specific field, Philippine NGOs are indubitably playing an essential role (e.g., Unlad Kabayan and Atikha). In an attempt to sustain the gains of migration, the Overseas Workers Welfare Administration (OWWA) implemented a reintegration program to assist Filipino migrants and their families. A recent study highlighted some hindrances affecting such initiatives (Agunias

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<sup>1</sup> See "Stock estimate of overseas Filipinos as of December 2007" at <http://www.cfo.gov.ph/Stock%202007.pdf>, accessed on 3 July 2008.



and Ruiz, 2007). Recent migration literature also note that “brain gain” (or “brain circulation”) and the transfer of knowledge, technology and resources may have salutary effects on the development prospects of developing countries. The impact of such processes on the Philippines is not clear thus far.

To assess the total (not only economic) benefits generated by international migration in the Philippines, the author refers to the Human Development Index (HDI) elaborated by the United Nations Development Programme (UNDP) and other complementary indicators, such as the poverty incidence, the Gini ratio, and the attainment of the Millennium Development Goals. From the analysis of such indicators, it can be stated that after almost 40 years of massive labor migration, there is mixed to minimal evidence to indicate that international migration has contributed to development in the Philippines (Baggio, 2008).

As mentioned above, a fair assessment of the development impact of international migration should include the costs which are shouldered by the country, communities, families and individuals. Concerns over the costs of international migration have resulted in many studies on the topic. Three categories of costs should be considered: political, economic and social. At the political level, the excessive reliance on overseas remittances seems to have prevented the government from elaborating and enacting national plans towards self-sustainable development. Moreover, the “need” to sustain the massive deployment of migrant workers has frequently led the government to concede to the labor conditions imposed by the receiving countries, which are often characterized by discriminatory practices and violation of migrants’ rights.

At the economic level, while remittances appears to produce positive effects at the national and the family level, the results at the local community level are not well-established. Overseas remittances are likely to contribute to a widening of the economic disparities across regions. In recent years, the government’s reliance on migrants’ remittances has progressively taken the appearance of a real economic dependence. While remittances enhance family incomes, the extent to which they represent a “net increase” has not been clearly assessed. The demands of the global labor market have caused the emergence of a well-organized migration industry. Recruitment agents, immigration consultants, brokers, fixers, trainers and other service providers make money on the migration dreams of millions of people.

At the social level, there are indications that Philippine society is paying a steep price for the massive exodus of its members. It is generally perceived that the extended separation of family members affects marital relationships and constitutes a threat to the stability of the family unit (Uy, 2007; Digal, 2008). These perceptions and concerns have not been adequately supported by empirical data. Gender role changes seem to pose a real challenge for left-behind fathers because of the lack of skills and traditional bias. The establishment of a culture of migration in the Philippines has also influenced the career/vocational orientations of young Filipinos, which are increasingly attuned to opportunities in the global labor market (Asis, 2006b).

### **The Migration-Development Disconnect: Challenges and Recommendations**

The social costs of migration must be weighed against benefits which, as had been suggested, are palpable at the macroeconomic and household levels. The economic benefits, however, seem to have been generated “spontaneously,” aided by some favorable historical contingencies. In other words, the benefits did not result from a policy framework aimed at making migration work for development. This impression came out of the roundtable discussions (RTDs) that the Scalabrini Migration Center conducted in 2007. As part of the preparation for the conference on international migration and development, eight RTDs were undertaken in eight different clusters (migration-related government agencies, human resource development government agencies, national development government agencies, local development agencies, migration-oriented NGOs, international organizations, foundations engaged in social responsibility and recruitment agencies). All the RTDs focused on assessing the migration-development nexus. The discussions revealed that there is more “disconnect” than nexus between migration and development, especially when it comes to national and local policies. During the RTDs, some Philippine government officials even questioned the existence of any link between international migration and development. A majority of the participants recognized that migration policies and development policies are often drafted and implemented separately. Moreover, for some government agencies, the RTDs constituted the first gathering with partners from the other sector (migration or development) to discuss issues of common interest.

A further analysis of the migration-development disconnect in the Philippine politics and policies leads to the consideration of some key issues which are discussed in detail below.

### *The Political Framework*

The massive outflow of migrant workers from the Philippines started in the 1970s as a temporary measure to respond to the problems posed by poverty and unemployment. The temporary measure has become relatively permanent in response to a continuing demand for workers in the global labor market, especially in the low skilled sectors. In the 1990s, the worrisome raise of abuses and exploitation victimizing migrant workers compelled the Philippine state to regulate the deployment of nationals through *ad hoc* legislation, monitoring mechanisms and prosecution of violators. An official position regarding the migration-development nexus was codified in the 1995 Republic Act 8042 Section 2 (c):

While recognizing the significant contribution of Filipino migrant workers to the national economy through their foreign exchange remittances, the State does not promote overseas employment as a means to sustain economic growth and achieve national development. The existence of the overseas employment program rests solely on the assurance that the dignity and fundamental human rights and freedoms of the Filipino citizen shall not, at any time, be compromised or violated. The State, therefore, shall continuously create local employment opportunities and promote the equitable distribution of wealth and the benefits of development.

In the new millennium, the persistent problems posed by poverty and unemployment, together with an increased national economy's dependency on foreign remittance, has led to the implicit adoption of overseas employment as a development strategy by the Philippine government. The Philippine Overseas Employment Administration set an annual target of one million deployments and is actively engaged in "marketing" Filipino migrant workers in the global labor market. Nonetheless, according to the outputs of the RTDs, no further political reflection has been undertaken to enhance the development impact of international migration beyond the benefits of remittances. On the con-

trary, it seems that the excessive reliance on remittances "... has kept the government from pursuing real policy reforms (including no population policy) that would have improved the performance of the domestic economy and reduced the need for overseas employment" (Perina, 2006:18). The historical examples of sending countries that have turned into receiving countries (e.g., Republic of Korea and Taiwan, China) show that international migration has not been a major driver of their economic and social growth (Asis, 2006a). While migration did contribute to decreasing social pressure, easing overpopulation problems and contributing to the national and household economies, the major development driving forces in such countries were the implementation of sound economic and social policies and the hard work of those who remained in the home country. Even in a hyper globalized labor market, efforts to increase the annual deployment of overseas contract workers cannot substitute for a long-term plan to reduce unemployment through the generation of domestic jobs. It would be politically naive to believe in national development coming from overseas like the "deus ex machina" of the ancient Roman tragedies. It would be highly hazardous to entrust to receiving countries the solution of domestic unemployment and underemployment problems, knowing that the receiving countries have their own national interests to protect. Unless the government sets about implementing needed reforms, the next generations of Filipinos will be compelled to be faithful and diligent servants of the global labor market.

### *Enhancing the Benefits of International Migration*

The results of the RTDs and an analysis of national and local policies reveal that the Philippine state has taken a rather passive attitude towards the development impact of international migration. The public acknowledgment of the contribution of Filipinos overseas to the development of their home country has been expressed in different forms. They are commended as the *bagong bayani* (new heroes) of the Philippines. Special awards have been created to honor outstanding nationals working overseas or members of families left-behind. Nonetheless, an overall assessment of the benefits produced by international migration in the Philippines at the different levels is overdue. The official reports issued by migration-related agencies seem to be more concerned in praising the government's performance than in presenting the reality and highlighting the problems and gaps. The initiatives promoted by

different stakeholders in preparation for the 2008 Global Forum on Migration and Development have put on the spot the glaring disconnect between migration policies and development policies. State-initiated endeavors aiming at enhancing the benefits of international migration have often proven to be ineffective or inadequate. The concern regarding the migration-development nexus is rarely present at the level of local government units (LGUs).

Relevant gaps highlighted by more general assessments on the migration phenomenon in the Philippines have considerable repercussions on the migration-development nexus. Despite the highly structured deployment process, the collection and/or encoding of migration data is still insufficient (*see* Asis in this volume). The shaping of policies aimed at enhancing the benefits of international migration should start from solid grounds provided by scientific studies undertaken by independent institutions. Such policies should envision long-term development plans where remittances, migrant giving, migrants' investment and knowledge exchange are properly considered and fostered in order to make them work towards sustainable development.

While nobody can question the positive effect of remittances at the macro and micro levels, programs to maximize the benefits of remittances to the larger community should be elaborated. Policymakers should always keep in mind that remittances are privately earned and managed money. Therefore, all programs should deal with migrants and their families as real partners, to whom decisional spaces are to be granted. To better contribute to this political exercise, overseas workers and their families should be properly informed through financial literacy programs and *ad hoc* capacity building seminars. They should be introduced to more productive uses of remittances, strategies of savings and sound possibilities of investment. The successful initiatives of some NGOs stressed the importance of building partnerships with long-standing Philippine cooperatives and securing cheap credit facilities. The role of LGUs would entail identifying the real possibilities of investment at the local level, organizing the training programs for migrants and their families, facilitating the link with existing cooperatives and assisting the development of new enterprises. In this regard, policymakers should also elaborate entrepreneur-friendly incentive schemes, such as lowering taxes for small and medium enterprises, especially in their first few years of operation. The benefits of international migration are yet to be felt at the community level:

In sum, we find that remittances have yet to be translated to value-added activities and investments which are more foundational sources of development and growth. Hence the expected multiplier effects even from consumer activities remain slow and unable to reach areas that need them the most (Ang, 2007:13).

Policymakers should enact *ad hoc* policies addressing the enhancement of multiplier effects, so that the poorest households, which generally do not directly benefit from overseas remittances, can indirectly benefit from migration.

The Filipino diaspora has found ways to contribute to the development of the Philippines. Such contribution ranges from individual/collective donations for specific projects to tangible solidarity in case of natural disasters, from financial assistance to the construction of public infrastructure to micro-investment in community-based initiatives. LGUs, NGOs and private foundations play a role in channelling these contributions to the local communities. In 2003, the Overseas Absentee Voting Act (or Republic Act 9189) was enacted, granting the right to vote to eligible Filipino migrants. In the same year, through the Citizenship Retention and Re-acquisition Act (or Republic Act 9225) Filipinos residing abroad were granted the possibility of dual citizenship. Both acts are expected to increase the bond with the Filipino diaspora all over the world and boost its engagement with the development of the home country. So far, the results of the two laws have been minimal. Only a small percentage of potential overseas voters participated in the last two national elections. The offer of dual citizenship facilities has not produced a real change in the behavior of Filipinos abroad in terms of increased applications to re-acquire Filipino citizenship and interest in their homecountry. The state has to take a more proactive stance in engaging with the Filipino diaspora to enhance the impact of their spontaneous contributions. As a first step, Philippine institutions must demonstrate readiness, transparency and sound governance to build an enabling environment. From a study of Filipinos in Italy, OFWs are not inclined to partner with the Philippine government in its initiatives towards the development of their home country (Baggio and Asis, 2008). Re-establishing a relationship of trust with the diaspora should be a priority for national and local governments. Foster-

ing and expanding successful initiatives like LINKAPIL<sup>2</sup> may represent a second important step. The third step may be the financial participation of Philippine institutions in the implementation of migrants' sponsored projects, according to schemes inspired by the famous Mexican "3x1 program." But, in the short run, policymakers should acknowledge, document and support (including financially) the best practices initiated by non-government stakeholders. In the past, some sending countries (e.g., Italy, Greece and China) have been quite successful in engaging their diaspora in the establishment of new overseas markets for traditional products and promotion of tourism in their home country. Given the opportunities produced by globalization, the Philippine government should look into the possibility of replicating such good practices. This should be part of the responsibilities of Filipino diplomats, and as such, they should receive training in this area.

In the last decades the Philippine government struggled to facilitate the economic reintegration of Filipino migrants. The Department of Labor and Employment (DOLE) developed *ad hoc* frameworks and special programs, which did not last long because of political constraints. A significant step forward was taken in March 2007, when DOLE set up the "National Reintegration Center for OFWs" (NRCO). According to its mandate, the center is supposed to offer different reintegration services to OFWs and their families and facilitate the link with other service providers in the same field. As of June 2008, the center has been providing different kinds of assistance to 5,654 inquiring clients, but only 188 Filipino migrants actually visited the NRCO offices looking for services and advice on reintegration matters. Moreover, most of the assistance given to such clients was in terms of referral to services and programs run by NGOs and the private sector (DOLE, 2008). The government has also produced good efforts to encourage the return of Filipino immigrants, who might be able to invest significant capital in the Philippines. Nonetheless, the results are quite minimal. In this regard, the laudable initiatives undertaken by the Philippine Retirement Authority have been proven not very effective. The return and reintegration of Filipino migrants should be one of the main focuses of the policymaking aimed at enhancing the development impact of international migration. Due consideration should be paid to the huge

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<sup>2</sup> In 1989 the Commission on Filipinos Overseas, introduced a program titled LINKAPIL, an acronym for "Lingkod sa Kapwa Pilipino" (Service to Fellow Filipinos), which aims to tap and match the donations of Filipino migrants to fund livelihood, education, health/welfare, infrastructure, technology and skills transfer projects.

“capital” constituted by the different skills acquired by Filipino migrants during their overseas working experiences. State-sponsored incentives (including financial) to return should be envisioned as a real investment and part of a long term development strategy. Migrant families and communities – who should be provided with proper information and training – should be always considered as important stakeholders.

### *Reducing the Costs of International Migration*

The annual deployment of hundreds of thousands of Filipinos entails political, economic and social costs. A state strategy aimed at enhancing the development impact of international migration should not neglect the importance of reducing the costs of migration.

To address the risks of international migration, in 1995 the Philippine Congress promulgated the Migrant Workers and Overseas Filipinos Act (or Republic Act 8042). The provisions of this act include regulating the recruitment and deployment of Filipino contract workers in order to protect their rights and curb any illegal recruitment practices. In 2003, the Anti-Trafficking in Persons Act (or Republic Act 9208) was approved with a vision to prevent trafficking in persons, to prosecute violators and to protect victims. The Philippines has also signed and ratified the International Convention on the Protection of the Rights of All the Migrant Workers and Members of their Families. Different government agencies have been tasked to enact the provisions of the existing legal framework. The OWWA was created in 1977 to develop welfare programs for Filipino migrant workers and their families. The Commission on Filipinos Overseas (CFO) was established in 1980 to assist emigrants and nurture ties with overseas Filipino communities. POEA was established in 1982 to manage the overseas employment program and to carry out the state’s regulatory function to protect the rights of migrant workers. The Office of the Undersecretary for Migrant Workers Affairs (OUMWA) was created in 1995 to provide legal assistance to Filipino migrants. As mandated by Republic Act 9208, the Inter-Agency Council Against Trafficking (IACAT), composed of representatives from government agencies and nongovernmental organizations, was created to ensure prevention, protection and prosecution in human trafficking matters. To prepare migrants and to provide them with information about working and living abroad, departing migrants are required to attend the Pre-Departure Orientation Seminar (PDOS).



This is supplemented by the optional Pre-Employment Orientation Seminars (PEOS), which targets aspiring migrants. Despite all these efforts, cases of abuse and exploitation are rampant. Reports of migrant advocates in countries of destination reveal that OFWs' labor contracts are substituted upon arrival with less advantageous ones (Baggio, 2007). Every year, thousands of Filipinos are deployed through unauthorized migration channels. Filipina domestic workers are often exposed to inhuman labor conditions and sexual harassment by their foreign employers. Many OFWs are trafficked:

A significant number of Filipino men and women who migrate abroad for work are subjected to conditions of involuntary servitude in Bahrain, Canada, Cyprus, Hong Kong, China, Cote d'Ivoire, Japan, Kuwait, Malaysia, Palau, Qatar, Saudi Arabia, Singapore, South Africa, Turkey, and the United Arab Emirates (TIP 2008:208).

Providing a good legal framework and establishing different state agencies devoted to migrants' protection and welfare is not enough. The well-known problems of implementation and enforcement in the Philippines inexorably affect international migration. Responding to different institutions, the programs and activities of the mandated government agencies often overlap. The coordination among the latter should be improved in order to achieve effective protection of Filipino migrants. One feasible solution can be the establishment of a Department for Overseas Filipinos with the mandate to direct all the different agencies and programs addressing Filipino international migrants. In any case, there is a clear need to provide government agencies with adequate and trained personnel; the deployment of consuls, labor attaches and other diplomatic staff should be based on the size and distribution of the Filipino diaspora. PDOS and PEOS should be assessed and re-formatted according to the real needs of migrants and aspiring migrants.

To regulate the deployment and protect the rights of Filipino workers overseas, as of October 2008 the Philippines has signed 45 bilateral agreements or memoranda of understanding (MOUs) with 40 countries of destination. This is indeed a remarkable diplomatic achievement that should be commended, especially considering the constraints driven by national sovereignty matters. Nonetheless, a critical assessment of such agreements and memoranda reveal that they

generally fall short of assuring some basic individual rights and freedoms asserted by the Philippine constitution and other national laws (e.g., the right to change employer, the right to collective bargaining, the freedom to exercise and enjoy one's religious profession and worship, the freedom to undertake or not an HIV test, etc.). The whole Philippine diplomatic strategy concerning bilateral agreements and MOUs should be revisited with no concession to the "number vs. rights" argument advanced by Ruhs and Martin (2006). In negotiations with receiving countries, more "bargaining power" may be attained if other sending countries are directly involved in the process. Moreover, in such negotiations elements of cooperation for development, based on the principles of reciprocity and ethical recruitment, should be introduced.

International migration often requires a considerable initial "investment" to shoulder the different expenses entailed in the process: documentation, local transportation, placement fees, airfares, etc. Despite the well designed deployment regulation system, there are evident "leakages" (queue-jumping offers, blacklisting, "fixers," fake certifications, etc.) whose expensive costs are always charged to the applicants. In order to meet pre-departure costs, aspiring migrants often incur loans from relatives or banks; the debt burden force migrants to bear difficult working and living conditions. For those working in other countries in East and Southeast Asia, it is not very clear if a two or three-year labor migration experience is really beneficial in economic terms. Philippine policymakers should elaborate strategies that should reduce the economic costs of overseas labor migration. A further decentralization of the documentation process would surely help. Expanding what is already mandated for the seafaring and domestic sectors, a no-placement fee should be imposed for all applicants. Through *ad hoc* programs and budget allocation, POEA should tighten the control of the recruitment agencies' performance.

The contract worker system compels family members to bear extended separation that is likely to negatively affect marital and parental relationships. Recent studies (ECMI/AOS-Manila, SMC and OWWA, 2004; Arellano-Carandang, Sison and Carandang, 2007) show that families left behind tend to struggle more when mothers migrate. The same studies stressed the essential role of extended families in helping children cope with parental absence. However, left-behind members appear to be pervaded by feelings of sadness. With more than one generation involved in international migration, it may be opportune to ques-

tion the sustainability of the care of the elderly, which is traditionally entrusted to family members. Policymakers should actively engage in the promotion of comprehensive and empirically-based assessments of the impacts of international migration on families and communities in the Philippines. The data gathered should help in the drafting and implementation of policies and programs addressing the real and potential negative consequences of the phenomenon in Philippine society.

While economists have different assessments of the development impact of remittances on poverty alleviation at the household and community levels, they generally agree on the fact that the inflow of migrants' money has contributed to the increase of income inequality and regional disparity (Pernia, 2006; Ang, 2007). Such "economic" costs of international migration, if not properly addressed through *ad hoc* policies, may seriously jeopardize the achievements of the Philippine government towards poverty alleviation as part of the its Millennium Development Goals. As mentioned above, all initiatives directed at fostering the multiplier effects of remittances to benefit non-migrant households will contribute to narrowing the income gap. Policymakers should also enact programs and mechanisms by which the beneficial impact of remittances would also reach the communities less involved in international migration, which are generally the poorest. A focused channeling of migrants' donations and investments may be a good strategy. Nonetheless, it will not work if suitable infrastructures and investment-friendly policies are not put in place.

The massive deployment of workers necessarily results in the depletion of Philippine "human capital." The costly preparation of OFWs is shouldered locally and they leave the country in their most productive ages. An empirically-based assessment of the positive return of such an investment through remittances has yet to be undertaken. Most OFWs are deployed to take up low-skill jobs, for which they are normally over-qualified and, consequently, the salaries do not correspond to their qualifications. The "brain drain" in the Philippines has taken the shape of a real exodus of professionals (nurses, doctors, aviation mechanics, etc.), which has already led experts in the different sectors to launch alarming calls for proper action. In this light, the Philippine government's intention to increase the deployment of more highly skilled and professional migrants should be reconsidered. To transform the brain drain into brain gain or brain circulation is not an easy task, as the experience of other countries of origin has shown (de Haas, 2008). Policymakers should pay more attention to the needs of the do-

mestic labor market and promote programs and incentives to convince highly skilled and professional Filipinos to stay. The overseas higher salary's attraction can be tempered by the generous offer of fringe benefits and housing in the home country.

### *Involvement of All the Stakeholders*

All the policy recommendations listed above would sound like utopia if their implementation remains solely in the hands of the Philippine government. On one part, the efforts of the executive branch should be strongly supported by suitable legislation promulgated by the Philippine Congress and effective prosecution enacted by the judicial machinery. On the other part, the state should be able to proactively involve all non-government stakeholders in the process. It is important to note that the first actors to be engaged are Filipino migrants and their families. Their consultation and inclusion in strategic planning and program implementation is a must. Given the actual migration-development disconnect, the Philippine state should decide to invest more financial and human resources in linking with its diaspora. The offer of more and better services in the diplomatic posts may help overseas Filipinos to overcome a widely perceived distrust towards the Philippine government. The state agencies devoted to OFWs and immigrants should increase the effective participation of migrants and members of their families in their respective boards of trustees. The selection of their representatives in such boards should follow a real democratic procedure. Moreover, global consultations of Filipino overseas on relevant issues should be promoted through the use of modern technology (mobile phones and Internet).

The assistance of international organizations (IOs) with expertise and recognized authority in the field of international migration has been useful to the Philippines. Such cooperation should be fostered further. The collaboration with regional bodies (e.g., the Association of Southeast Asian Nations), United Nations agencies (e.g., the International Labour Organization) and international organizations (e.g., the International Organization for Migration), owing to their essential role as mediators among nation-states, would be instrumental to promote co-responsibility, transnational solidarity, and sustainable development for both the sending and receiving countries. Thanks to their global experience, IOs may aid the Philippine state in its dialogue with the different stakeholders within the Philippines towards a deeper un-

derstanding of international migration and more effective responses. IOs can also provide extra resources to facilitate the exchange of knowledge and offer capacity-building opportunities.

In the Philippines, the private sector (recruitment agencies, banks, money transfer companies, communications firms, insurance companies, airlines and real estate agencies) generates huge profits from international migration. The Philippine government should request them to cooperate by practising corporate social responsibility - e.g., by sponsoring programs that enhance the benefits and reduce the costs of international migration. No effective regulation of the deployment process will be possible without the active collaboration of the Filipino migration industry. Through incentives, the government should engage recruiters to promote the welfare of migrants and their families, to adhere to ethical standard of recruitment and to extend assistance to their recruits in the receiving countries.

Best practices undertaken by both government and non-government organizations (NGOs) are not duly documented. To avoid the temptation of partisan interpretation of research, the Philippine government should entrust the work to independent scholars from the local and international academe, allocating the necessary funds. There are many research gaps concerning migration-related issues (*see* Asis in this volume). The partnership with the academe may be fostered through the establishment of a national "think-tank" involving universities and specialized centers of studies.

NGOs have been in solidarity with Filipino migrants over the years. In many cases, they have compensated for the evident gaps in services and the protection of migrants' rights of the Philippine government. In response to a specific request from NGOs, in 2002, then Labor Secretary Patricia Sto. Tomas constituted the Consultative Council for OFWs (CCOFW), a permanent advisory body composed of concerned government agencies, non-government organizations and other civil society groups. CCOFW is supposed to serve as a regular feedback mechanism on current public policies, programs and services affecting overseas Filipinos. For the past six years, the CCOFW has been experiencing some hardships and NGOs repeatedly complained about their insufficient involvement in the decision-making process regarding policies and programs concerning overseas Filipino workers. The Philippine government's engagement in dialoguing with civil society groups should be more collaborative. The consultation of the main stakeholders namely, Filipino migrants and their families, may be more

efficient and transparent if migrant-oriented NGOs are actively involved. The will of the state to cooperate with civil society groups should manifest in budgetary allocations to support the actions and services provided by NGOs. With the exception of the international seafaring sector, Philippine unions have not shown much interest for OFW concerns. With their links in the countries of destination, unions can play a critical role in supporting the concerns of OFWs.

## Conclusion

The assessment of the migration-development nexus in the Philippines does not depict an unqualified positive scenario. However, the development potential of international migration appears clearly at the different levels. There is an evident disconnect between national and local policies on migration and national and local policies on development. Therefore, it is deemed necessary to revise such policies on the basis of empirical studies and interdisciplinary assessments. This process should always seek the inclusion and cooperation of all the stakeholders: policymakers, migrants and their families, international organizations, private sector, academe, NGOs and unions. As a general rule, to ignite the development potentials of international migration it is necessary to undertake a double action: enhance the benefits and minimize the costs. There are many recommendations and concrete suggestions that policymakers can pick up to pursue this two-fold approach. Two concrete initiatives may help in this effort: the constitution of a “national council for migration and development” with the participation of representatives of all the stakeholders, and the identification of communities/areas in different Philippine provinces which represent a conducive environment for the development of pilot projects.

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# The Philippine “Diasporic Dividend”<sup>1</sup>

## Maximizing the Development Potentials of International Migration

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### Introduction

The annual Globalization Index<sup>2</sup> produced by A.T. Kearney and *Foreign Policy* magazine<sup>3</sup> has consistently evaluated remittances as the prime

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<sup>1</sup> The term can be traced to Ken Ife’s mention of “diaspora dividend,” which refers to the potential contribution of diaspora African businesses and professionals to “increase investment flow into productive capacities, value added services and public/private sector partnerships” in the region given an enabling environment (Ife, 2005; *see also* Opiniano, 2007a).

<sup>2</sup> The Globalization Index evaluates the global integration of the world’s most populated nations, using measures such as trade data, investment flows, international travel, remittances, international telephone calls, Internet usage, and participation in international organizations. *See* <http://www.atkearney.com/main.taf?p=5,4,1,127,2> (A.T. Kearney, 2008).

feature of the Philippines’ performance in the global economy. Index results from 2004 to 2007 reveal that “remittances and personal transfers” are the main strengths of the Philippines’ role and participation in globalization, ranking either first or second in these categories. This is a significant record considering the Philippines remains at the bottom of the standings in other categories, such as foreign direct investments and investment income (A.T. Kearney, 2004, 2005, 2006 2007). It must be noted, however, that such globalization surveys do not provide the end-all indicators of Philippine socio-economic performance.

Nevertheless, economic analyses on the Philippines by multilateral institutions such as the World Bank and the International Monetary Fund reached similar conclusions—while there is growth, the supposed benefits of job generation and poverty reduction are still not happening. The service industry is the best-performing sector of the Philippine macro-economy and governance problems still prevail (Bocchi, 2008; Fujita and Seshadri, 2007).

In light of the Philippines’ current socio-economic environment it seems that overseas Filipinos and their remittances have made a difference in their home country by driving a consumption-driven economy, buffering financial reserves, filling up domestic employment shortfalls for the bulging labor force, and easing possible socio-political conflicts (Opiniano, 2004a; International Monetary Fund, 2007; Aldaba, 2007; Opiniano, 2007).

It is not surprising, then, that the Philippines has become the global model for managing the exodus of her citizens (International Organization for Migration, 2005:242). But what are the returns to the country? In recent years, business leaders like Doris Magsaysay-Ho have been asking critical questions on how international migration by Filipinos can be calibrated into the general scheme of things in the Philippines (Opiniano, 2006a) In this period of Philippine socio-economic history and of international migration movements by Filipinos, what future besides the exodus awaits the country (Opiniano, 2004:52)? Can this archipelago, a global leader in managing international migration attain a significant diasporic dividend amid continuous overseas mobility (Opiniano, 2007a)?

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<sup>3</sup> A.T. Kearney is a U.S.-based think tank and a global consulting firm. *Foreign Policy* is an award-winning American magazine that discusses issues in global politics and economics.

This paper aims to answer these questions by using an economic-based approach, specifically through the framework of the diasporic dividend. It first contextualizes the discussion by briefly describing the Philippine socio-economic and political situation. In view of continued overseas migration, the authors propose a framework that discusses the various channels in which a Philippine diasporic dividend can be achieved in the medium to long term period. The paper ends by enumerating constraints in achieving such a dividend, as well as presenting the challenges that face various stakeholders, especially overseas Filipinos.

## **Current Philippine Socio-economic and Political Conditions: The Inevitability of Continued International Migration**

### *Growth that Has Not Trickled Down*

In 2007, the gross domestic product expanded by 7.3 percent, its best performance in 31 years, propelled by the services sector which grew at 8.7 percent (National Economic Development Authority, 2008). This growth has been driven by business process outsourcing, tourism, telecommunications, retail trade, as well as real estate and housing. Note that expansion of several of these sectors has also been fuelled by the ever-increasing remittances from overseas workers, which reached US\$14.4 billion in 2007 (*Bangko Sentral ng Pilipinas*, 2008)<sup>4</sup>.

Despite this unprecedented growth for the past six years, Filipinos continue to search for greener pastures abroad. Job generation in the country has not kept pace, and both unemployment and underemployment remain pressing concerns for the government. Poverty incidence among families increased from 24.4 percent in 2003 to 26.9 percent in 2006, while poverty incidence in the population increased from 30.0 percent in 2003 to 32.9 percent in 2006 (National Statistical Coordination Board, 2008a, 2008b). Results of the poverty self-rating survey conducted by the Social Weather Stations in June 2008 indicate that 59

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<sup>4</sup> World Bank economists like Dilip Ratha argue that remittances in real terms only increased by three percent last year if the peso appreciation and oil price increases were considered (Jaleco, 2008).

percent of Filipino families, or about 10.6 million, rate themselves as poor (Social Weather Stations, 2008).

With a series of Gini indices<sup>5</sup> that have hardly changed, the 2006 Family Income and Expenditure Survey (FIES) also reveals that the richest 10 percent of Filipinos earn 19 times more than the poorest 10 percent (NSCB, 2008c), reflecting the huge income inequality in the country. This widening gap between the rich and the poor has persisted at high levels in the past 30 years. Unequal access to basic services such as education, health and social services has also aggravated this economic gap. High interregional and intra-regional differences in poverty incidence also exist. Though the human development index of the country has improved over the past 40 years, large disparities persist in different areas of the country.

### *Continuing Political Instability and Weakening of Institutions*

The current Arroyo administration, which arose out of a political upheaval, is continuously beset by instability. Several corruption scandals and power grabs characterize the political terrain. Analysts see a continuing deterioration of democratic institutions as vested interests dominate public and social welfare. Only a small fraction of the citizenry engages in active protest, while the majority seems to be either apathetic or resigned to this dire situation. Insurgencies from the Communist Party of the Philippines and the Moro Islamic Liberation Front also continue to hound peace and order in the country. Opposition parties, while from time to time attempting to unseat the current regime through various means, have already turned their attention to the forthcoming 2010 elections.

The government claims these political concerns and issues have not hampered the workings of the economy. Whether this is true or not, political uncertainties continue to affect medium and long-run investments in the country. Investments (and the fiscal deficit) have been the persistent Achilles' heel of the economy. Another negative impact from such political disturbances is the increase in the permanent movement of middle class professionals and their families to developed countries like the United States of America, Canada, Australia and New Zealand.

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<sup>5</sup> An economic measure of income inequality.

and—a situation akin to the exodus of the middle sector in the early to mid-eighties, especially after the Aquino assassination.

### *A Scenario of Continued Out-migration*

In sum, given a situation where quality jobs are not easily found and where returns to labor are relatively low, skilled workers and professionals will continue to seek higher incomes abroad. This will be sustained even without the aggravating push factors (like bad governance, rampant corruption and perennial peace and order problems) as long as wide wage differentials exist and demand for certain types of Filipino labor continue to rise (nurses, teachers, software developers and other skilled workers) in developed countries abroad. Reductions in transport and communications costs, as well as the increased tightness in the supply of skilled workers in host countries also facilitate this international mobility.

## **The Framework: The Channels of the Philippine Diasporic Dividend**

In this era of globalization, developing nations should be reaping benefits from increased liberalization and market access in the developed world. But one market where poor nations have something in abundance to sell – the market for labor services – has remained untouched by this liberalizing trend (Rodrik, 2007).<sup>6</sup> Despite this fact, several countries like India, China, Mexico and the Philippines are still able to send large numbers of its citizens to work in the richer nations of the world. It is in this context that the various channels by which labor migration can benefit the sending country are described in terms of its development contribution.<sup>7</sup> Remittances are typically the primary sources of dividends that a developing country government wishes to maximize. However, upon deeper reflection, there are other ways by which de-

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<sup>6</sup> Rodrik estimates that a system allowing workers of poor nations to access three percent of the labor market of developed countries would yield at least US\$200 billion of annual income for such nations, much higher than what the existing WTO trade agenda is expected to produce.

<sup>7</sup> This section discusses only the positive returns to migration. The costs and negative effects of migration have been tackled much in Philippine migration literature.

veloping nations can maximize returns to migration. The various means of deriving benefits from international labor mobility are elaborated below.

## *Remittances*

### Consumption-induced Sectoral Growth

Remittances that flow into the consumption of goods and services in several sectors of the economy fuel their growth. Industries that benefit from migrant worker resources include telecommunications, retail trade, housing and real estate, banking and other financial services. For example, technological developments in the telecommunications have led to the creation of products overseas workers frequently consume, e.g., short message service (SMS), voice-over-Internet protocol (VOIP). With increased information about the various ways of remitting incomes and acquiring different types of financial instruments, migrant workers and their families have greatly increased the bottom lines of banks and financial institutions by patronizing their products. Even the government, through its recently issued Long-term Negotiable Certificates of Deposits<sup>8</sup> (LTNCDs), which is a deposit instrument exclusively for overseas workers and their relatives, has tapped such savings to finance its expenditure needs. Remittances serve as “automatic fiscal stabilizers” in the macroeconomy as they help smoothen consumption expenditures, thereby avoiding sharp movements in the economy, i.e., boom and bust cycles.

### Improvements in Human Capital

Various studies have shown that remittances are used for the improvement of human capital of children and other relatives of migrant households. Specifically, these are increased expenditures for the education and health of family members. Obviously, this type of household investment will impact positively into the future productivity of these children and relatives. Positive externalities will also be reaped by society in terms of the increased number of healthy, highly educated

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<sup>8</sup> Land Bank offered special bonds valued at Php 2 billion in April 2008 to overseas Filipino workers (OFWs) and their dependents with an annual yield of seven percent, higher than ordinary time deposits.

and skilled labor force in the near future. It is also argued that better educated persons live to be better citizens. Of course, an important condition here is an adequate supply of quality education and health services accessible to migrant households.

### Productive Investments

Remittances are also used for savings and investments in financial market instruments, real estate or actual businesses. The franchising industry has also grown rapidly the past few years as several OFWs venture into businesses, particularly in the services sector. However, the government needs to create the environment to be able to direct some of these investments to sectors that will create more jobs (e.g., agriculture and tourism). Interventions in terms of information dissemination (e.g., financial literacy) and policies on financial instruments (e.g., rural development bonds) by government would be relevant.

### Diaspora Philanthropy<sup>9</sup>

Another benefit of remittances is the provision of funds and resources by migrant workers to local government units (LGUs), non-government organizations (NGOs) and hometown associations. These resources are used for local infrastructure and the delivery of social services, which augment the constrained budgets of such institutions. Resources for both physical (infrastructure) and human capital are important investments for increasing the productivity of the populace in the local areas.

### *Skills and Technology Transfer (Brain Gain)*

Economic growth theories have shown the importance of innovation and technology in sustaining long run expansion. Rodrik (2007) explains that entrepreneurialism, skills and business exposure of expatriate workers in the developed world and their desire to return home can be used to spawn new economic activities in their home countries. He cited Taiwan, China as a specific example, but one can also mention India's information and communication technology (ICT) and business

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<sup>9</sup> See Association of Foundations (2005) and Opiniano (2004b).

process outsourcing (BPO) industry,<sup>10</sup> where returning migrant professionals were critical for the development of the sector. He notes that if a fraction of the tax incentives used to attract foreign investments is targeted at nationals abroad, the benefits could be sizeable.

In the case of the Philippines, the cohort of professional and skilled migrants in the 1970s and early 1980s has gained enough experience and substantial amount of savings in their host countries and are ripe for the “picking.” Most of these individuals, given the right incentives and the appropriate political and economic environment in the Philippines would desire any of the following in the next few years:

- Contribute to Philippine national development through “patriotic investments” or by setting up businesses where they can put into use their valued experience;
- Contribute to Philippine development by setting up NGOs and hometown associations;
- Share the skills and expertise they acquired over the years by working with local firms and institutions (e.g., *Balik-Scientist* programs); even within political institutions (e.g., running local governments or the bureaucracy); and
- Retire in the Philippines and spend a part of their pension in the locality they choose to reside.

### *Expanding Networks and Market Access*<sup>11</sup>

Given the huge number of Filipino migrants all over the world, the country has a *de facto* network of individuals and households which it can systematically tap to widen the market access of Filipino firms exporting their goods and services or those operating in such countries. Examples include the expansion of important export products like processed food, furniture, garments, ICT and BPO services, etc. The wide network can also be maximized in terms of marketing the Philip-

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<sup>10</sup> What is important is a critical mass of return migrants willing to put their stakes in the country.

<sup>11</sup> See Opiniano and Castro (2006) for more in depth discussion of brain gain and knowledge transfer activities.



pires as a good investment location, retirement and tourist haven.<sup>12</sup> However, this would require heavy investments by the Philippine government in systematically organizing and coordinating these potential networks in host countries abroad. The right policies and political infrastructure must be in place in order for this to work.

### *A Possible Political Bonus*

The political effects and repercussions of overseas migration are rarely discussed. Aldaba (2004) argues that the continued exodus of the middle class has reduced the quality of voters in the country for the past several years, resulting into non-performing elected officials. In a sense, this has also reduced the demand for better governance and stronger institutions. A trend towards return migration will not only benefit the country economically but also politically. Returning migrant workers and professionals with higher standards of governance and with financial clout can become a resurgent force in helping dismantle elite and patronage politics. As long as there is a critical group of reform-minded citizens and returning migrants, the possibility of change in the political arena cannot be discarded.

### **Are We Reaping the Diasporic Dividend?**

Given the three-pronged sources from where the Philippines can reap such a diasporic dividend, Filipinos abroad as well as multi-sectoral migration-and-development stakeholders have been actually doing their quiet share in harnessing the development potential of international migration. Most of these endeavors go on individually, and occur without much programmatic support or technical assistance.

To apply the framework explained earlier, the authors contend that eight socio-economic sectors are crucial paths to which the development potential of international migration must be directed. In these eight critical sectors, there have been anecdotal examples of how Filipinos abroad have poured resources (not just economic resources):

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<sup>12</sup> Senator Richard Gordon, for example, proposed that an overseas worker be given a specific commission for every foreign tourist he or she is able to bring into the country.

## Agriculture

It is not surprising that Filipinos abroad and their families left behind utilize their economic resources for agriculture. Given that some two-thirds of overseas Filipinos originated from the rural areas (Asian Development Bank, 2005:61), these areas are also the beehive of agricultural activity. Documented examples show that overseas Filipinos and their families have invested their resources in agricultural development in their home communities.

There had been early documentation of the migration-for-agricultural development phenomenon: anthropologist Stephen Griffiths (1978) marveled at how remittances of returning migrants from Hawai'i, USA invested their considerable savings in garlic plantations in Barangay Bawang, municipality of Simbaan in Ilocos Norte.<sup>13</sup> There, "both migration and garlic trading have generated wealth for the community... (thus permitting) villagers to express traditional cultural values in a more elaborate manner." This simple investment in garlic "had served the community well" (Griffiths, 1978:67).

Admittedly, there is little research documentation of experiences such as Simbaan's. Nevertheless, there are cases wherein former overseas Filipinos have used some of their savings for agriculture-related enterprises. Former Saudi Arabia-based engineer Elden Antonio Severino, from Benguet province, is one example. He owns GAFAS Marias, the biggest poultry-growing business in the Cordillera region that has existing tie-ups with Swift Foods, Inc. and San Miguel Foods, Inc. (Abubakar and Tanedo, 2006:97).

Just recently a former overseas performing artist in Japan in 1991 who has long returned to the Philippines received an award from the French Embassy. High school graduate Arestina Morados, married to Frenchman Gerard Papillon, owns Pamora Farm located in the fifth-class municipality of Pidigan, Abra province. This farm raises some

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<sup>13</sup> The names "Bawang" and "Simbaan" were pseudonyms given by the author. The real names of the *barangay* (village) and the municipality were not known. Griffiths' community study looked at the investment decisions of three groups of individuals: the young men who worked in Hawai'i for only a few years before returning to the Philippines (all prior to World War II); the old men who returned to retire in the 1960s and 1970s; and the emigrants who have gone to Hawai'i since 1965. Griffiths attempted to find out "how cultural norms have served to channel emigrant wealth into land purchase rather than into entrepreneurial investment and the corresponding effects this investment has had on local social organization" (Griffiths, 1978:47).

3,000 free-range “French-colored chickens” monthly, which are then sold to specialty stores and supermarkets in Metro Manila. For promoting a French agricultural system, Morados was conferred the rank of *Chevalier de L’Ordre due Merite Agricole* (Order of Merit for Agriculture, Grade of Knight), the first Filipina to receive such award (*Philippine Daily Inquirer*, 20 April 2008). The farm was then a small piece of land in Pidigan that Morados invested in after her stint in Japan’s red-light district.

Some rural folk are even packaging agricultural products and then target townmates abroad as a market. This is what agrarian reform communities (ARCs) from Sto. Domingo municipality in Ilocos Norte are doing by developing squash canton (a noodle mixed with egg, salt, and squash). Packs of some 250-gram squash canton noodles are then put in some *balikbayan* boxes so that these may be sold to townmates, as well as to Ilocanos, in the United States and Canada. While tapping the overseas Ilocanos market is new for these developers of squash canton, these ARCs have found the townmates abroad to be “very supportive” of the hometown product (Cerezo, 2007).

The experiences of Simbaan town and of Severino and Moradas suggest that remittances are initially used as capital for farm inputs, for new agricultural crops, or for some small-to-medium-sized agribusinesses. Some even believe that overseas migrants’ investments in agriculture are frequent among families whose breadwinners abroad are women, and whose left-behind spouses are farmers. This situation sees remittances helping diversify these migrant families’ rural incomes (McKay, 2005:89).

In economies like that of the Philippines, agriculture is a major source of livelihood for the rural poor. Developing the agricultural sector is thus key to reducing poverty in rural Philippines. At the macro-economy level, however, the agricultural sector is not the major contributor of Philippine economic growth. The same sector also has own share of issues: ownership of land, lack of support for farmers and financing, among others.

The situation facing agriculture in the Philippines has thus forced rural poor to seek non-agricultural routes as their way out of poverty – often leading them out of agriculture altogether. Said economist Arsenio Balisacan (2008:3): “Rural income diversification and migration to productive non-farm sectors, including overseas migration, offer important pathways out of poverty.” Incomes from non-farm activities,

including overseas labor migration, are growing faster than agricultural incomes (Hossain, 2001:3).

International or internal migration, however, is not a guarantee out of rural poverty (World Bank, 2007), even as remittances have helped lift rural families. The *2008 World Development Report: Agriculture for Development* (World Bank, 2008) even noted a decline in rural poverty, which is attributed to better conditions in rural areas rather than to out-migration of the poor. Thus, migration has not been the main instrument for rural and world poverty reduction; at the same time, while the remittances farming households receive "can relax capital and risk constraints," these same remittances can pose challenges for rural development (World Bank, 2008:72-84).

### *Education and Health*

Filipinos abroad and their families left behind use remittances to meet basic needs such as food consumed at home, utilities and other household operations, personal care and effects, communication, and transportation. But the education of children is one major direction of remittances, to which the Asian Development Bank's Filipino remittances study (Table 1) showed that the monthly spending for such can reach up to Php20,000 (Asian Development Bank, 2005:162). Remittances spent on human capital investment such as education or schooling are important, as a college degree leads to assured incomes to degree holders. Thus, it is not surprising to find that a number of students in private educational institutions are children of overseas Filipinos. Many of them also plan to look for work and permanent settlement overseas.<sup>14</sup>

Health is another purpose for remittance use. Table 1, however, may show that migrant families prioritize medical spending less than others (as evidenced by a Php511 average spending on such). Still, education is a major item for remittance spending: data from the 2000 Family Income and Expenditures Survey (Table 2) show that migrant households have spent some Php 12.471 billion for medicines (de Vera, 2003).

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<sup>14</sup> A study by the ECMI/AOS-Manila, SMC and OWWA (2004:26) showed that some 60.4 percent of migrant children have plans of working abroad. This migration-related intention is highest for children whose parents are both overseas (68.4 percent), and lowest for those whose mothers are abroad (49.8 percent).

TABLE 1  
EXPENSES ALLOCATED FROM REMITTANCES

| Expense Item                      | No. of Respondents | Modal Values (in pesos) |       |        |         |
|-----------------------------------|--------------------|-------------------------|-------|--------|---------|
|                                   |                    | Average                 | Modal | Lowest | Highest |
| Food consumed at home             | 92                 | 5,360                   | 6,000 | 1,000  | 15,000  |
| Food consumed outside home        | 45                 | 1,100                   | 500   | 100    | 4,000   |
| Alcoholic beverage                | 6                  | 283                     | 300   | 100    | 500     |
| Tobacco                           | 7                  | 389                     | 200   | 120    | 1,200   |
| Fuel, light, and water            | 88                 | 1,272                   | 1,000 | 200    | 4,000   |
| Transportation                    | 74                 | 644                     | 500   | 100    | 2,800   |
| Communication                     | 79                 | 629                     | 300   | 100    | 1,500   |
| Household operations              | 85                 | 943                     | 1,000 | 50     | 2,500   |
| Personal care and effects         | 79                 | 675                     | 500   | 50     | 3,000   |
| Clothing, footwear, other wear    | 63                 | 900                     | 1,000 | 100    | 3,000   |
| Education                         | 58                 | 2,733                   | 1,000 | 100    | 20,000  |
| Recreation                        | 7                  | 1,121                   | 200   | 150    | 5,600   |
| Medical care                      | 44                 | 511                     | 500   | 100    | 3,000   |
| Non-durable furnishings           | 18                 | 556                     | 500   | 100    | 1,666   |
| Durable furniture and equipment   | 8                  | 1,254                   | 500   | 200    | 3,333   |
| Rent                              | 7                  | 4,943                   | 5,000 | 3,000  | 5,000   |
| House maintenance and repairs     | 17                 | 1,792                   | 1,000 | 20     | 10,000  |
| Taxes paid                        | 5                  | 937                     | 150   | 150    | 2,500   |
| Special occasions                 | 29                 | 1,672                   | 500   | 250    | 10,000  |
| Gifts and contributions to others | 27                 | 483                     | 500   | 100    | 1,000   |

SOURCE: Asian Development Bank (2005:162)

NOTE: Among those where 100 percent total income = 100 percent remittance (total respondents = 92)

What is ironic in migrants’ use of remittances for health is that not many of them seek health insurance or social protection services<sup>15</sup> that that government agencies such as the Social Security System, the Philippine Health Insurance Corporation, and the Overseas Workers Welfare Administration provide. They would rather hold on to their monies (Gonzalez, 2007).

Beyond family-directed remittances, education and health are among the major causes for development aid and donations by overseas Filipinos. Donations by overseas Filipinos coursed through the *Lingkod sa Kapwa Pilipino* (LINKAPIL) or Link to Philippine Development program of the Commission on Filipinos Overseas showed that health and education already make up some 82.68 percent of the Php2.047 billion in total donations (Table 3).

### *Infrastructure*

Infrastructure development is the government’s primary responsibility, owing to the magnitude of the work involved in doing farm-to-market roads, water systems, and similar infrastructure. In some occasions, overseas Filipinos and their families have helped bankroll local communities’ infrastructure needs. Through the LINKAPIL program alone, for example, overseas Filipinos have shipped some Php29.958 million worth of funds for infrastructure projects. The *Classroom Galing sa Mamayang Pilipino sa Abroad* (C-GMA), another government-run migrant philanthropy program, organized the construction of some 283 classrooms which were funded using donations from overseas donors, homeland companies and individuals (Department of Labor and Employment, n.d.). Most of the beneficiaries of these migrant-financed infrastructure projects are public hospitals and schools.

Some overseas Filipinos have used private monies to set up a private hospital (as in the case of the U.S.-based Rizal-MacArthur Memorial Foundation, which runs a hospital in Urbiztondo, Pangasinan), or even construct a *balikbayan* building (in the case of the municipality of Naguilian in La Union). Townmates back home then get to use these facilities (Opiniano, 2004b). Parishes under the Catholic Church are also lucky to be recipients of funds for church reconstruction and amenities.

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<sup>15</sup> For a discussion on this issue, see Opiniano, (2007c).

TABLE 2\*  
MIGRANT HOUSEHOLDS' EXPENDITURES BY REGION (IN BILLION PESOS)  
2000 FAMILY INCOME AND EXPENDITURES SURVEY

| Region*        | Migrant Households        |                           |                           | All Filipino Households |   |
|----------------|---------------------------|---------------------------|---------------------------|-------------------------|---|
|                | Total Expenditures        | Expenditures on Durables  | Expenditures on Medicines | Total Exp.              | Migrant Exp as Percent to Total Household Exp |
|                | Amount (Percent of Total) | Amount (Percent of Total) | Amount (Percent of Total) |                         |   |
| NCR            | 152.7<br>(33.2)           | 3.261<br>24.0             | 3.099<br>(24.8)           | 534.6                   | 28.56   |
| CAR            | 9.5<br>(2.1)              | 0.152<br>(1.1)            | 0.282<br>(2.3)            | 30.4                    | 31.25   |
| Ilocos         | 30.5<br>(6.6)             | 0.711<br>(5.2)            | 0.824<br>(6.6)            | 77.3                    | 39.46   |
| Cagayan Valley | 11.0<br>(2.4)             | 0.214<br>(1.6)            | 0.272<br>(2.2)            | 50.2                    | 21.91   |
| S. Tagalog     | 84.2<br>(18.3)            | 3.002<br>(22.1)           | 2.571<br>(20.6)           | 307.2                   | 27.41   |
| C. Luzon       | 52.8<br>(11.5)            | 1.014<br>(7.5)            | 1.325<br>(10.6)           | 182.1                   | 29.00   |
| Bicol          | 12.5<br>(2.7)             | 0.488<br>(3.6)            | 0.385<br>(3.1)            | 84.8                    | 14.74   |
| E. Visayas     | 9.7<br>(2.1)              | 0.231<br>(1.7)            | 0.381<br>(3.1)            | 53.1                    | 18.27   |
| W. Visayas     | 34.9<br>(7.6)             | 1.893<br>(13.9)           | 1.141<br>(9.1)            | 114.8                   | 30.40   |
| C. Visayas     | 21.7<br>(4.7)             | 0.859<br>(6.3)            | 0.730<br>(5.9)            | 92.4                    | 23.48   |
| W. Mindanao    | 7.5<br>(1.6)              | 0.508<br>(3.7)            | 0.171<br>(1.4)            | 41.9                    | 17.90   |
| N. Mindanao    | 6.1<br>(1.3)              | 0.233<br>(1.7)            | 0.192<br>(1.5)            | 45.3                    | 13.46   |
| S. Mindanao    | 14.7<br>(3.2)             | 0.501<br>(3.7)            | 0.720<br>(5.8)            | 93.8                    | 15.67   |
| C. Mindanao    | 6.1<br>(1.3)              | 0.265<br>(1.9)            | 0.198<br>(1.6)            | 38.4                    | 15.88   |
| ARMM           | 1.5<br>(0.3)              | 0.019<br>(0.1)            | 0.014<br>(0.1)            | 26.1                    | 5.75  |
| Caraga         | 4.5<br>(1.0)              | 0.255<br>(1.9)            | 0.169<br>(1.4)            | 29.5                    | 15.25   |
| <b>Total</b>   | <b>459.9<br/>(100.0)</b>  | <b>13.605<br/>(100.0)</b> | <b>12.471<br/>(100.0)</b> |                         | <b>1,801.8<br/>(25.52)</b>                    |

\* For notes and sources, see page 142.

TABLE 3  
DONATIONS TO THE *LINGKOD SA KAPWA PILIPINO PROGRAM*, 1990-2006

| <b>Program Component</b>          | <b>Total amount of donations, 1990 to 2006 (in pesos)</b> | <b>Percent to Total</b> |
|-----------------------------------|---|-------------------------|
| Calamity / Relief Assistance      | 293,248,737.93  | 14.32                   |
| Education / Scholarship           | 266,130,984.54  | 13.00                   |
| Health-Related / Medical Missions | 1,427,002,941.80  | 69.68                   |
| Livelihood                        | 31,607,329.53   | 1.54                    |
| Infrastructure                    | 29,958,022.02   | 1.46                    |
| <b>Total amount of donations</b>  | <b>2,047,948,015.82</b>                                   | <b>100.00</b>           |

SOURCE: Commission on Filipinos Overseas (2007)

TABLE 2: MIGRANT HOUSEHOLDS' EXPENDITURES BY REGION

SOURCE: de Vera (2003)

NOTES: NCR - National Capital Region  
CAR - Cordillera Administrative Region  
ARMM - Autonomous Region of Muslim Mindanao

C - Central  
E - Eastern  
N - Northern  
S - Southern  
W - Western

Exp - Expenditures

From the 2000 FIES, there are 2.6 million OFW households who have spent P460 billion. These migrant households comprise 17.4 percent of all households, and spend 25.5 percent of total household expenditures.

1.71 million OFW households are in urban areas, while 0.95 million (36 percent) are in rural areas.



## *Social Development*

By virtue that overseas Filipinos are known for giving back to their motherland (Association of Foundations, 2005), social development projects run by non-profit, non-government organizations, foundations, and cause-oriented groups are the beneficiaries of these forms of philanthropic support. As observed by some scholars, these donations are mostly one-shot individual initiatives that do not have a system to track down and assess the impact of these donations (Powers, 2006).

Much has been written as of late as to how overseas Filipinos support social development in the motherland. What is critical in this current influx of development aid by overseas-based donors is that there is no organized system to direct the flow of their donations and support initiatives. To be fair to overseas Filipinos, they are well-meaning amateurs in social development – and the effort to improve the system of migrant philanthropy rests on transnational collaboration between donors abroad and development organizations in the motherland (Powers, 2006; Institute for Migration and Development Issues, 2007).

## *Financial Markets*

The last few years have seen waves of initiatives encouraging overseas Filipinos and their families to be financially literate and eventually, to park their monies into secure and competitive financial instruments. The introduction of these various financial instruments coincided with a global craze that prodded financial institutions to be involved in remittances. According to Dilip Ratha (2007:1), financial institutions should be involved in remittances, as they can generate money while working for the good of the poor and for the development of poor countries. They can also benefit from the influx of new customers for deposit, loan, and insurance products.

Government, business, and civil society sectors have been busy in financial literacy and investment initiatives. Investments range from migrants' personal and family needs (e.g., insurance, deposits), sophisticated financial instruments (e.g., mutual funds, bonds, stocks) as well as businesses and enterprises (e.g., small enterprises, microfinance loans, franchising). Some economic sectors even benefit from the remittance market, such as banks, real estate, insurance, and telecommunications.

But issues surround the engagement of overseas Filipinos into financial markets. Three sets of economics studies by undergraduate students of the University of the Philippines all point to one similar observation: overseas Filipinos have a hard time saving. Among the reasons include: the presence of more unemployed household members, the inefficient savings habits of relatives within the household and that Filipinos are not sensitive to transitory income. One study even found that increasing remittances does not lead to increased savings (Burgos and de Vera, 2005; Idang and Yap, 2002; Antonio and Perez, 2000).

Many overseas Filipino remitters find themselves unprepared to engage in financial instruments introduced to them. Financial market observers even sense that the lack of attractive products for overseas Filipinos, as well as market data access, discourages overseas Filipinos from exploring these new ventures. This is not to mention that overseas Filipinos are observed to be risk-averse (De la Paz and Alzona, 2005). Stories of overseas Filipinos victimized by financial scams, get-rich-quick schemes, or even by relatives seeking financial capital for start-up businesses are not new. If migrants are to be involved in business, the road to success will never be easy, especially if they are not entrepreneurial (Opiniano, 2006b).

### *Other Investment Areas for Migrants’ Resources*

The authors contend that migrant investments in ICT, tourism, and retirement villages are important. As observed, however, luring overseas Filipinos into these kinds of investments is not as rapid as the ones mentioned above.

- *Information and communication technology.* Not much is moving from this end. This is where a brain drain in the country’s ICT sector hampers the luring of possible IT investments (including those from foreigners). Not even ICT capitalist Diosdado Bana-  
tao, who is based in the renowned ICT hub of the US called Silicon Valley, brought in investments in the Philippines. Some steps are already being taken to solve this problem. The European Chamber of Commerce in the Philippines, for example, created OneFilipino.Net ([www.onefilipino.net](http://www.onefilipino.net)), a website targeting migrant investments in ICT and business process outsourcing.

- *Tourism and Retirement Villages.* Vacationing overseas Filipinos are actually considered as tourists by the Department of Tourism (DOT), especially if they visit their birthplaces for family gatherings, reunions, and fiestas. But if one looks at the DOT data on overseas Filipinos and tourism, migrant tourists only account for a small fraction. From 1998 to 2007, the annual average influx of overseas Filipino tourists was 136,310.3 (Table 4), most of whom traveled back home to visit families and relatives. From 1995 to 2004, tourism-related expenditures by overseas Filipinos reached US\$1.6 billion (or an annual average of US\$160 million), a modest amount compared to expenditures of foreign tourists (Tables 5).

While overseas Filipinos can be “domestic tourists” and “*balik-bayans*” to their own motherland, they can also market the country as a tourist destination. Filipinos married to foreign nationals may also play a role in promoting tourism since they are likely to invite their spouses to visit the country (Table 6).

Some view overseas Filipinos as a crucial factor in sustaining the growth of tourism in the Philippines (*GMANews.tv*, 2007), especially since these Filipinos can act as tourism agents in their host countries. This is why Philippine diplomatic posts have campaigns to promote the Philippines as a tourist destination. But as the DOT data show, much effort must be exerted to lure more overseas Filipinos as tourists.

Related to tourism is the setting up of retirement villages for overseas Filipinos (especially those born during the baby-boom period) and foreigners. The retirement impetus will not just come from permanent residents abroad, but also from temporary migrant workers wishing to retire in the country. The Philippine Retirement Authority is targeting the following areas for such villages: Benguet (Baguio City, Trinidad), Zambales and Pampanga (covering Subic and Clark), Metro Manila (Muntinlupa City), Laguna, Batangas (Nasugbu), Cavite, Cebu, Island Garden City of Samal, and Misamis Oriental (Cagayan de Oro City). The first retirement village under the administration of President Gloria Macapagal-Arroyo opened last April 2007 in Nasugbu, Batangas (*SunStar Manila*, 30 April 2007).

TABLE 4  
OVERSEAS FILIPINOS IN THE VISITOR ARRIVAL RECORDS OF  
THE DEPARTMENT OF TOURISM, 1998-2007

| Region of residence       | 1998      | 1999      | 2000      | 2001      | 2002      | 2003      | 2004      | 2005      | 2006      | 2007      |
|---------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| <i>Overseas Filipinos</i> | 174,277   | 199,290   | 150,386   | 98,831    | 83,754    | 100,324   | 103,742   | 125,395   | 146,365   | 180,739   |
| Asia                      | 1,004,260 | 1,032,122 | 977,140   | 946,675   | 1,092,300 | 1,062,430 | 1,274,840 | 1,242,518 | 1,605,741 | 1,739,976 |
| America                   | 540,596   | 534,480   | 510,862   | 451,008   | 453,667   | 444,264   | 545,867   | 604,793   | 651,705   | 674,921   |
| Europe                    | 307,058   | 290,480   | 249,387   | 199,345   | 181,848   | 175,618   | 210,215   | 243,928   | 260,394   | 296,443   |
| Oceania                   | 97,438    | 89,770    | 86,438    | 80,002    | 103,523   | 106,109   | 132,186   | 143,455   | 149,276   | 163,403   |
| Africa                    | 2,054     | 1,824     | 1,192     | 1,685     | 1,465     | 1,442     | 1,700     | 2,294     | 2,246     | 3,090     |
| Others                    | 23,674    | 22,548    | 16,764    | 19,347    | 16,120    | 17,039    | 22,802    | 260,161   | 27,618    | 33,781    |
| Grand total               | 2,149,357 | 2,170,514 | 1,992,169 | 1,796,893 | 1,932,677 | 1,907,226 | 2,291,352 | 2,623,084 | 2,843,345 | 3,091,993 |

SOURCE: Department of Tourism (2006), as cited in the National Statistical Coordination Board (2007)

TABLE 5  
 OVERSEAS FILIPINO TOURISTS' AVERAGE DAILY EXPENDITURES,  
 LENGTH OF STAY AND AMOUNT OF VISITOR RECEIPTS, 1995 TO 2004

| Year  | Number    | Average Daily Expenditure (in US\$) | Average Length of Stay (nights) | Total receipts (in million US\$) |
|---|-----------|-------------------------------------|---------------------------------|----------------------------------|
| 1995  | 149,303   | 70.75                               | 23.22                           | 214.97                           |
| 1996  | 142,753   | 66.11                               | 23.04                           | 217.72                           |
| 1997  | 134,541   | 63.10                               | 20.09                           | 192.65                           |
| 1998  | 174,277   | 67.44                               | 19.68                           | 246.76                           |
| 1999  | 199,290   | 69.95                               | 18.62                           | 244.45                           |
| 2000  | 150,386   | 50.23                               | 18.36                           | 154.06                           |
| 2001  | 98,831    | 49.06                               | 20.25                           | 94.20                            |
| 2002  | 83,754    | 52.67                               | 17.38                           | 64.41                            |
| 2003  | 100,324   | 48.49                               | 17.74                           | 81.05                            |
| 2004  | 103,742   | 51.77                               | 17.68                           | 90.37                            |
| Means   | 133,720.1 | 58.957                              | 19.606                          | 160.064                          |
| Total receipts from overseas Filipinos, 1995-2004 |           |                                     |                                 | 1,600.64                         |

SOURCE: Department of Tourism (2006), as cited in the National Statistical Coordination Board (2007)

TABLE 6  
 ORIGIN COUNTRIES OF FOREIGN SPOUSES OF FILIPINO NATIONALS AND TOURISTS TO  
 THE PHILIPPINES

| Country           | Number of Filipinos Married to Foreign Nationals, 2007 | Number of Tourists, 2007 |
|-------------------|--|--------------------------|
| United States     | 11,789   | 578,983                  |
| Canada            | 978  | 91,308                   |
| Australia         | 1,267  | 112,466                  |
| Japan             | 6,114  | 395,012                  |
| Germany           | 441  | 55,894                   |
| United Kingdom    | 600  | 79,670                   |
| Republic of Korea | 804  | 653,310                  |

SOURCES: Commission on Filipinos Overseas (2008); Department of Tourism (2008)

Retirement villages should be carefully planned and should consider requisite facilities, amenities, as well as local security (Llorito, 2007). As a potential market, it should be noted that overseas Filipinos are likely to construct their own retirement houses in their birthplaces when they go back home to the Philippines, among other reasons.

## **Some Constraints in Maximizing the Gains from Migration**

### *High Costs of Remittances*

Many of our overseas workers still complain of high costs of transferring their hard-earned money to the Philippines. Because of the lack of information and trust in formal financial institutions, some of them still use informal channels to send their earnings to their families. High remittance costs, often ranging from 10 to 20 percent of the principal amount being remitted are a major drain on remitters. The Philippine Government should be able to craft the necessary policies and regulatory framework to reduce the transaction costs of remittances. These should include the following reforms (Asian Development Bank, 2005; Ratha and Riedberg, 2005):

1. Remittance services should be recognized as a self-standing industry separate from banking services. This should lead to the simplification and harmonization of regulations relating to remittances, thereby encouraging competition in the market;
2. Greater access to smaller remittance service providers, e.g., credit unions and microfinance institutions, as well as existing clearing and settlement systems to improve competition and reduce costs;
3. Improving the access of undocumented migrants to formal remittance channels, especially banks, to discourage the use of informal channels; and
4. Undertaking bilateral initiatives to establish greater access to remitting countries and to financial markets for Philippine banks and banking products to encourage more remittances through the formal sector.

### *Insufficient Incentives for Return Migration*

While the government has a laudable return migration program, i.e., *Balik-Scientist Program* of the Department of Science and Technology, this needs to be expanded in terms of bigger resources and coverage of professionals and skilled workers (Opiniano and Castro, 2006). The private sector must also be involved in attracting returning migrants into its fold particularly in research and development programs. The business sector should also be tapped by the government in terms of providing more access to credit for return migrants who engage in important ventures, especially the transfer of innovations and technology.

### *Deteriorating Quality of Education*

In order to maximize the potential of OFW investments in human capital, there must be an adequate supply of quality education and health services in the country. The public sector provision of education and health services are still beset with problems such as: (a) the need for greater budgetary support to public educational and health institutions, (b) the need for improved regulation of privately run educational and health institutions, and (c) the continuing need to address issues of quality via regulatory policies. Although reforms have been continuing through the Basic Education Sector Reform Agenda of the Department of Education (Dep-Ed) and the Formula One of the Department of Health (DOH), the effective and full scale implementation of such reforms is needed to ensure that investments of OFWs in education and health would be transformed to increased productivity in the future.

### *Coordination Failure in Rural Development and Agriculture*

As the food crisis continues to unravel, it is an opportune time for government and various sectors to collectively address persistent issues in agriculture and rural development (e.g., property rights and agrarian reform, physical and financial infrastructure investments in rural areas, delivery of technical assistance and support services, regulatory issues, governance reforms and scams like the Bolante-fertilizer case) in order to tap OFW interest and actual investments in this sector.

### *Corruption and the Decline of Democratic Institutions*

The recent ZTE-NBN scam has again highlighted the systemic and chronic problem of corruption in the Philippines. Transparency International (2008) has rated the Philippines as one of the most corrupt countries in Asia with a score of 2.5 (on a range between 10, for highly clean, and 0 for highly corrupt), in the league of Indonesia and Vietnam. The United Nations Development Program also estimated in 2004 that \$1.8 billion a year – about 13 percent of the government’s annual budget – is lost to corruption. According to the Office of the Ombudsman, about P1.4 trillion was lost to corruption from 1988 to 1999.

Analysts contend that our political system is trapped in a cycle of corruption rooted in a culture of mutual help and obligation, family loyalties and political patronage. According to Transparency International (2008), a recent survey found that seven out of 10 Filipinos said corruption had grown significantly worse over the past three years. Accusations of electoral corruption triggered calls for President Gloria Macapagal-Arroyo’s resignation in 2005. Her predecessor, Joseph Estrada, was driven from office by a popular uprising that also grew out of disclosures of presidential corruption.

However, beneath the issue of corruption is the general weakening of democratic institutions in the country, i.e., the legislative agencies (pork barrel allocations), the rule of law (hoodlums in robes), property rights (issues in land titling and uncertainties in agrarian reform), peace and order (extra-judicial killings), electoral system (massive cheating) and the civil service (political appointees). Aside from corruption being a push factor for overseas migration, it is also a key factor discouraging return migration and investments by overseas Filipino. Many have lost trust in the current administration to effect necessary reforms for better governance and have pinned their hopes in the next administration, which is expected to be in place by 2010. An active and dynamic involvement of the citizenry in political and governance issues should be key to effect such changes. OFW groups and networks should become more active in the pursuit of political reforms.

### *Lack of Strategic Approach to Labor Migration*

While labor migration has definitely contributed much to our country’s economic expansion, it took the government several years to even par-



tially admit having an explicit labor migration policy<sup>16</sup> as a component of its development strategy. Given an explicit policy, we must now embark on a more strategic approach of tapping labor markets for our workers and in maximizing returns to such migration. For example, more collaboration is needed among the government, private sector and the academe in the pursuit of strategic studies of global labor markets to ensure adequate supply and production of Filipino workers for both international and local markets. Labor mismatches (the supply is unable to respond to both local and global demand) are a persistent problem pointing to market information and coordination failure. The government must definitely intervene and put sufficient resources in this regard.

### *Challenges*

It is not surprising then that the last two Medium-Term Philippine Development Plans (MTPDPs) do not contain explicit policy statements on harnessing this development potential from international migration. As mentioned above, this stems from the government's difficulty in admitting to having a policy of sending workers abroad, thus making overseas migration a part of a development strategy (Opiniano, 2005; Opiniano, 2004a). This is because the continued migration of workers can also be seen as a result of failed governance and economic mismanagement. It is testimony to an economy unable to provide enough jobs and income to its people. Worse, some economic analysts even contend that the benefits of labor migration have evolved into a "Dutch Disease" for the country. It is a situation where the economy has become dependent on remittances for its sustained growth, and has created "moral hazard problems" in both household and state economic policy-making.

However, a confluence of events domestically and globally is making overseas migration a lucrative option and a potent resource for the Philippines. Migration analyst Hein de Haas (2007) even argues that the increasing levels of development of poor countries will not stop migration as its rational workers continue to seek greater returns to their educational investments. The Philippine migration phenomenon,

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<sup>16</sup> It was only during Secretary Patricia Sto. Tomas' term when the Department of Labor and Employment explicitly mentioned targeting one million jobs abroad for our citizens.

inevitable as it is, must be harnessed to maximize benefits and to supplement domestic socio-economic development (Opiniano, 2004a). The government and other key stakeholders must institute various changes and reforms in our economy and politics to be able to do this. These necessary reforms include:

- The lowering of remittance costs and the improvement of the financial infrastructure in the whole country to be able to transform remittances into productive investment especially in the rural areas (Bagasao, 2005);
- A continuing reform (and increase in resources) of agencies responsible for human capital development, e.g., in education, health and social welfare, so that OFW expenditures may lead to future productivity;
- The sustained improvement of our investment climate so that successful Filipino migrants will be encouraged to invest in the country and return migration will be maximized through better governance and peace and order situation;
- The formulation of better incentives packages for the return of skilled and professional Filipino workers who are already citizens of developed countries or are still toiling abroad (in terms of setting up businesses and access to credit, working for multinational and local firms, providing technical assistance to government and NGOs, retirement havens);
- The improvement of labor market information and coordination among key government agencies and stakeholders to ensure that supply meets demand for global and local markets; and
- The setting up of efficient and effective mechanisms and institutions to coordinate OFW networks with host countries in terms of market access and marketing the Philippines as an investment and tourist destination (probably a multi-agency and multi-stakeholder cooperation).

The critical sectors mentioned above (e.g., agriculture, information and communication technology, and tourism) must also be ready to absorb increased investments and resources to maximize benefits for development. If these job-generating sectors fail to achieve the needed economic policy reforms to attract such resources, then their potentials for improving the lives of our people may come to naught.

## Conclusion

The Philippines, considered a “migration economy,” sees her overseas-based citizens influencing many aspects of Philippine socio-economic, political and cultural life. Many stakeholders and sectors are keen to tap the benefits from overseas migration. The key is how the government will be able to lead and coordinate these various sectors in maximizing the potential contributions of our diaspora. Government agencies that will play a role in this regard, i.e., the Departments of Labor and Employment, Trade and Industry, Foreign Affairs and Finance, the National Economic Development Authority, and the *Bangko Sentral ng Pilipinas* (DOLE, DTI, DFA, DOF, NEDA, BSP), must be fully-equipped with both financial and human resources to facilitate and effect such coordination. In addition, credible leadership in the higher echelons of the bureaucracy is needed to draw collaboration by other stakeholders.

However, in the end, overseas Filipinos and their families are central to this effort of maximizing diasporic dividends. Migrating overseas is a personal decision, and so are the ways in which OFWs utilize their resources and remittances. The best that stakeholders can do is to encourage them and offer viable options, and not dictate what they should do (Opiniano, 2007b). Government and other key players can only provide the right incentives and the proper environment so that they may contribute in optimizing the returns to overseas migration. OFWs provide for their families’ needs, and one can fervently hope that these migrants will also fulfill their roles in nation building.

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## **Keeping the *Bayanihan* Spirit Alive**

### The Link for Philippine Development Program

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The participation of overseas Filipinos in the *Lingkod sa Kapwa Pilipino Program* (also known as the Link for Philippine Development Program or LINKAPIL) is one indication of their enduring ties to the Philippines. The Commission on Filipinos Overseas (CFO) launched LINKAPIL in 1990 in order to facilitate the transfer of various forms of assistance from overseas Filipinos or other donors overseas to support humanitarian and development projects in the country. In collaborating with overseas Filipinos, LINKAPIL facilitates the flow of overseas assistance to specific beneficiaries in the Philippines, coordinates with government agencies, donors and beneficiaries, and provides feedback to donors.

Overseas Filipinos who wish to support any endeavor in the Philippines are not required to pass or course their donations through the CFO or other government institutions (except for customs or tax-related issues). They may opt to deal directly with their recipients and beneficiaries or they may choose to work with non-government organizations. Having a local and government conduit such as the CFO of-

fers some advantages. The government partner facilitates and expedites compliance with government requirements, and assures donors that in their physical absence, it sees to it that their donations reach the intended beneficiaries. As mentioned earlier, LINKAPIL has a monitoring system to ensure that donations go to the right recipient, that the recipient uses the donation, and that the donation contributes to improve the conditions of the recipient. For example, for scholarship programs, the monitoring entails following up the academic performance of beneficiary students; in the case of feeding programs, some indicators are employed to provide some measure of impact; or checking the durability and usefulness of infrastructure projects. Moreover, LINKAPIL provides administrative and logistical support to both donors and beneficiaries without charge or levy. Examples are packing goods for distribution to calamity victims, filling up and submitting documents to bring out book donations, medicines or medical equipment from the Bureau of Customs, and gathering and verifying documents on the eligibility of beneficiaries.

A substantial amount of the resources received by the LINKAPIL program comes in the form of cash transfers or “remittances” from overseas Filipinos. Remittances are normally transfers in cash or in kind from individuals who live or work in another country to specific individuals in the country of origin (typically family members, who use remittances to meet their needs). The contributions from overseas Filipinos and citizens to LINKAPIL are covered in this definition of remittances; they are different because the resources are aimed at supporting development projects to benefit communities, associations, cooperatives or beneficiaries other than family members. The transfers may come from individuals, associations of citizens or even non-citizens based overseas, who usually identify or provide eligibility criteria of the intended beneficiaries. Other contributions come in the form of grants, donations in kind or professional services.<sup>1</sup>

LINKAPIL projects involve a formal partnership among the benefactor, the beneficiary and the CFO. All projects are covered by a specif-

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<sup>1</sup> The *Bangko Sentral ng Pilipinas* has taken steps to differentiate remittances intended for family beneficiaries from cash donations and donations in kind which are intended to non-family recipients. Based on unpublished data, “BSP Donations 09-07: Current Transfers,” more than US\$1.799 billion of donations were recorded from 1999 to 2007. This information provides an indication of philanthropic transfers to the country during those years, including the donations to LINKAPIL.

ic deed or formal agreement among the parties, which defines the purpose of the grant or assistance, the kind and amount of support and the responsibilities of each party. Each and every project therefore defines the accountabilities of each party to ensure its success.

The CFO provides the organizational structure for program development, resource transfer and project evaluation and monitoring. It has developed a database of the development needs of provinces in almost all the 17 regions of the country. At the same time, it maintains contact with Filipino communities and associations overseas. More than 3,000 organizations are included in the CFO's database of Filipino associations overseas.

The CFO maintains a competent and transparent administrative machinery to support the LINKAPIL operation. Very often, donors or benefactors desire quick results, effective monitoring and accurate feedbacks across continents on matters related to the turnover of their valuable resources.

## **Components of the LINKAPIL Program**

LINKAPIL was conceived to address five important development needs. These are: (1) livelihood projects, (2) education, (3) health and welfare, (4) small infrastructure projects, and (5) technology and skills transfer. The program's main target beneficiaries are less developed communities, socio-economic organizations, disadvantaged groups, and deserving individuals. The program has benefited an estimated 12 million beneficiaries in 75 provinces in all regions of the country. To date, the ten major sources of contributions have been Filipino individuals and associations in the United States of America, Canada, Germany, Australia, Japan, the Netherlands, South Korea, Belgium, Sweden and Italy.

The livelihood component of LINKAPIL aims to support the establishment of income-generating activities and fostering self-help among community members. Donations are either cash or equipment to start or sustain livelihood projects and to improve productivity and incomes. The livelihood component may include low-interest loans, which may be used for a startup capital or as additional operating capital for micro-enterprises.

The education component of LINKAPIL receives donations for scholarship grants for needy and deserving Filipino students. Scholarship support may be an endowment fund, a lump sum or a yearly

grant to cover the cost of school fees, book allowances, and stipends. In kind donations include books, scientific and audio-visual equipment, computers and other educational materials to disadvantaged schools.

The health and welfare component of LINKAPIL aims to promote basic health care and nutrition, particularly in rural and economically depressed areas. The CFO assists overseas-based medical groups in carrying out medical missions and other health-related services by helping secure permits and clearances from national and local government agencies and local medical counterparts. Overseas associations also depend on the CFO to ensure that their donations of medical equipment, supplies and medicines are received by the designated beneficiaries. Institutional feeding programs are also among the regular activities under this component.

Donations for the infrastructure component of the LINKAPIL Program are intended for the construction of classrooms, water systems, sanitary facilities, rural health centers, and other small infrastructures in specific areas identified by the donor. The CFO has been successful in encouraging Filipino associations overseas to support the construction of classrooms in priority areas identified by the Department of Education. Small infrastructure development has been a choice for individuals or associations who wish to contribute to the development of their hometowns or provinces.

The CFO is also able to tap the expertise of overseas-based Filipino professionals for knowledge or skills transfer. Overseas Filipinos with specific skills and expertise in science and technology, education, agriculture, environmental protection, special education, and other specialized fields volunteer their services in the Philippines on a regular basis through LINKAPIL. Through lectures, workshops, demonstrations, and consultation services, these experts provide their local counterparts with the opportunity to learn new knowledge or adopt new technologies from abroad. Local academic institutions, government agencies and private enterprises are beneficiaries of this project as well.

## **Evolution of the LINKAPIL program**

Since the first batch of donations was received in 1990 – in the wake of the Mount Pinatubo eruption – LINKAPIL has gone through notable changes in terms of the component, focus and donors.

In 1990, almost 60 percent of the donations were directed to relief and calamity assistance, 30 percent to health-related services (such as



the conduct of medical missions and donation of medicines and other medical equipment), and 11 percent to livelihood and other micro-enterprising activities. The large share of the relief and calamity component can be attributed to the typhoons, earthquakes and volcanic eruptions in the Philippines at that time.

By 1995, medical-related assistance increased to 56 percent, while the education component, which included scholarship grants, the donation of books and equipment, and funds for building classrooms, gained 43 percent. The relief and calamity component decreased to one percent because the country was spared of calamities during the period. Medical-related assistance increased because of the interest of many Filipino doctors and health professionals in sharing their expertise with fellow Filipinos. From 2000 to the present, medical-related assistance was 78 percent of the total amount of donations; education accounted for 18 percent; infrastructure, three percent; and calamity and relief assistance, one percent.

Of the various components of LINKAPIL, infrastructure development and livelihood projects have received the least funds. Donors say that livelihood projects are difficult to implement, especially if beneficiaries are not properly trained to be entrepreneurs. The huge capital required by infrastructure projects is also a factor. According to some donors, only big associations can finance such projects. Projects whose indicators for "success" seem readily evident, such as feeding programs for malnourished or orphaned children, the donation of books and school equipment, and gift-giving activities to homes for the elderly, orphanages and safety homes during Christmas season, are popular among donors. In general, individual donors are more likely to support scholarship grants and transfer of knowledge compared to associations.

Personal or associational links play an important role in donors' decision to support specific programs. Scholarship and training programs are often supported by alumni or professional groups. Medical missions are usually conducted in donors' provinces of origin. Sister-city relationships also tend to channel their livelihood and infrastructure projects to their local counterparts overseas.

There are a number of associations, however, which support more long-term projects. Feed The Hungry, Inc. (FtH), a 501c3, tax-exempt non-profit organization based in Washington, D.C., has prioritized the construction of elementary and high school classrooms for the past five years. The Philippine Economic and Cultural Endowment or PEACE-

USA, an organization founded in 1986 in the United States of America, concentrated on water-related projects, such as the construction of artesian wells and water systems in areas without potable water supply for the past 22 years. Hawaii International Relief Organization, established in 2004, finances livelihood projects for the rehabilitation of calamity-stricken areas in Aurora. Furthermore, the Philippine Association of Metropolitan Washington Engineers (PAMWE) will build houses for free. Groups such as FtH, the Aloha Medical Mission, the Filipino-American Medical Incorporated, and the Health Organization for the Poor Enterprise are exceptional because they provide assistance to any group or individuals who need help. Ultimately, donors are free to choose which projects they wish to support.

## Issues and Concerns Affecting Migrant Giving

The experiences of the CFO in the last 18 years show that overseas Filipinos are willing to extend assistance to the Philippines. However, the intricate process involved in the entry of foreign donations to the Philippines can hamper the transfer of resources from donors to intended recipients.

1. *Complex process of sending and receiving donations.* Several government agencies are involved in the donation process: the National Economic and Development Authority (NEDA), Department of Health (DOH), Department of Social Welfare and Development (DSWD), Department of Education (DepEd), Bureau of Food and Drugs (BFAD), Department of Foreign Affairs (DFA), UNESCO National Commission of the Philippines (or UNACOM), Department of Finance (DoF), and the Bureau of Customs (BOC). These agencies are involved in issuing endorsements or appropriate clearances for overseas donations.

Depending on the nature of the items to be donated and the qualification of recipients, consignees are required to secure endorsements from relevant government agencies in order to qualify for tax or duty-free clearances. For example, endorsements from the DepEd and the DoF are needed to donate educational or scientific equipment to private and public educational institutions, or the endorsements of the DOH and NEDA to deliver medical equipment donations to government and primary or secondary private hospitals in the Philippines.

2. *Lack of information.* Several reasons may explain the delay in processing the duty-free entry of foreign donations to the country. The lack of efficient coordination and available information on the procedures and requirements governing overseas donations often lead to the accumulation of excessive storage fees and other charges on the donation. Though there are information materials available to donors and recipients, there is still a need to effectively disseminate information on the donation process. The absence of a CFO representative in areas with large concentrations of potential Filipino donors makes it difficult to encourage more active participation from the overseas Filipino community. CFO relies on the support of the Philippine posts and regular collaborators of LIN-KAPIL, who are usually Filipino community leaders.
3. *Short grace period for donations.* Consignees of foreign donations are given a short period of time to process the release of donations. The BOC requires that a shipment be released within 30 days from the arrival date; otherwise, the shipment will be considered abandoned. Though a month would seem to be sufficient to process the release of donations, requesting for appropriate endorsements and clearances from government agencies usually takes several weeks especially, if the documents submitted are incomplete. The actual processing of documents begins only when the recipient has been notified that the shipment has arrived. Recipients also face the problem of having to pay for storage and demurrage fees for donations that are not immediately released. Storage fee is charged starting on the seventh day (including weekends) after the arrival of the shipment.
4. *Payment of value added tax (VAT).* Under Section 109 Republic Act 8424 (or the Tax Reform Act of 1997) and Section 4 of Republic Act 7716 (or the VAT Law), food and non-food relief donations and medical equipment are not included among tax exempt transactions. Overseas donations consisting of food and non-food items, and medical supplies and equipment, even if accorded duty-free privileges, are subject to payment of Value Added Tax (VAT), which is currently computed at twelve percent (12 percent) of the shipment.

Since most recipients of overseas donations are organizations, foundations, institutions, and communities in need of assistance, the lack of financial resources deter them from accepting the donations. If they cannot afford to pay for the VAT, the shipment of donations that are already in the country can be abandoned altogether.

The CFO also faces some administrative constraints which can affect the implementation and management of the program. LINKAPIL is part of the Filipino Unity and National Development Program, which, in turn, is one of four program areas of the CFO.<sup>2</sup> There are no personnel exclusively assigned to carry out LINKAPIL-related work. The cutting of CFO personnel by 25 percent, which was part of the government's rationalization plan, has aggravated the situation. Also, as mentioned earlier, the absence of a CFO representative overseas limits the capacity of CFO to be more proactive in promoting LINKAPIL abroad.

Several proposals have been advanced to address these problems. There is a long-standing proposal for the government to consider establishing an express lane or facility similar to the Department of Finance's *Mabuhay* Lane, which will solely process the duty-free entry and release of overseas donations. This is expected to minimize the costs involved in accepting donations and reduce incidents of abandonment and auctioning of donated goods.

Another proposal is to extend VAT exemptions to cover equipment and donations from overseas Filipinos intended to support government programs in health care, micro-enterprise development and education. Overseas donations must not be treated like other imported goods or services considering the nature and objectives of such transfers. It is important to weigh the ultimate benefits of these donations against the purported income that can be generated by VAT revenues on these donations. It should also be noted that the VAT must be paid by recipients, who often do not have the financial capability to shoulder this expense.

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<sup>2</sup> The Filipino Unity and National Development Program aims to promote better cohesion and purpose among various overseas Filipino organizations. The other program areas are: (1) Migrant Social and Economic Integration, (2) Filipino Education and Heritage and (3) Policy Development and Data Banking; see [www.cfo.gov.ph](http://www.cfo.gov.ph).

## Sustaining the LINKAPIL Program

The ties between the CFO and overseas Filipinos begin with the programs it offers for departing emigrants. Prior to leaving the country, emigrants (including those under 18 years old, who comprise 30 percent of all emigrants leaving each year) must register with the CFO and must undergo country-specific pre-departure orientation. They are also provided with information and materials to assist them in settling in their destination countries. The CFO coordinates with the Philippine Foreign Service Posts and other organizations overseas by sharing information about the arrival of Filipino immigrants within certain jurisdictions. In relation to this, the CFO maintains a database of all emigrants and all Filipino community organizations overseas, including associations of migrant workers or temporary residents overseas. It maintains contact and communication with individuals and associations through correspondence, periodic newsletters, visits by CFO officials and through the CFO website.

Together with the Philippine Foreign Service Posts, the CFO actively supports the programs of Filipino community organizations abroad and is actively involved in fostering community building of overseas Filipinos. The CFO encourages individuals to form or join Filipino associations, and whenever possible, Philippine officials participate in major overseas community activities. The CFO is also behind efforts to provide for the educational needs of dependents of overseas Filipinos through the Philippine Schools Overseas and Filipino Language Programs.

The government, through CFO, has institutionalized a prestigious award and recognition system for overseas Filipino individuals and associations, as well as non-Filipino benefactors, through a biennial Presidential Award for their exceptional contributions to national development efforts.

The sustainability of LINKAPIL is one of the concerns that came up in the *Bayanihan sa Amerika* conference organized by the CFO in October 2007. A particular challenge is how to encourage the young generation of Filipino-Americans to support development projects in the Philippines. The participants in the conference remarked that young Filipino-Americans, particularly those who grew up in the United States of America, did not seem to share the older generation's sense of Filipino identity, and were perceived to be less connected to the Philippines.

To strengthen the ties of young Filipinos to the Philippines and to address their specific needs and interests, in recent years, the CFO has conducted youth fora in Hawaii, Manila and London. More youth conferences are planned in the Middle East, Australia and Europe in the near future. The forthcoming fora are expected to produce a Second Generation Filipinos' Program of Action which will: (1) address their concerns; (2) provide leadership training; and (3) promote better understanding of the Philippines.

## **New Initiatives**

The enactment of Republic Act (RA) 9225, otherwise known as the Citizenship Retention and Re-acquisition Act in 2003, has provided a new window of opportunity for many overseas Filipinos to avail of economic opportunities in the Philippines. Some 75 percent of Filipino emigrants have become naturalized citizens of their host countries. Through RA 9225, former Filipino citizens can reacquire their Filipino citizenship and enjoy full economic rights in the country. As dual citizens, they can own unlimited real property, access natural resources in the Philippines, and engage in activities which were previously restricted to non-Filipino citizens. They can also retire in the Philippines if they wish to. In view of these developments, the CFO has taken new initiatives in reaching permanent residents in Australia, Austria, Canada, Germany, Guam, Japan, New Zealand, Spain, the United Kingdom and the United States of America. The CFO has prepared a two-part compendium, which is now on its second edition, to provide information on assessing prospects for investing and doing business in the Philippines, and information about requirements of regulatory agencies and local government units.

From the CFO's experience with Filipino communities overseas, it is clear that overseas Filipinos have a desire to maintain their ties with the home country and to contribute to various development initiatives. It hopes to cultivate and to nurture a deeper sense of community and spirit of *bayanihan* with all Filipinos overseas in the years to come.

# **Migrant Economic Empowerment as an Approach to Rights Awareness and Human Development**

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## **Introduction**

In the last ten years, no subject has captured and sustained the attention of international, multilateral and social development institutions more than the effects of remittances on development. In 2003, a World Bank paper entitled “Workers Remittances: An Important and Stable Source of External Development Finance,” pointed out that remittances were second only to foreign direct investment as a capital flow into developing countries and substantially exceeded development aid (Ratha, 2003). Migrant remittances have ballooned in size—as of July 2008, recorded remittance flows worldwide in 2007 are estimated at \$337 billion, of which \$251 billion went to developing countries (Ratha et al., 2008). The actual volume of remittances is believed to be larger, considering remittance flows through informal channels. “In many developing countries, says co-author Ratha, “remittances provide a life line for the poor,” and are often an essential source of foreign exchange and a

stabilizing force for the economy in turbulent times (World Bank, 2008).

Developing countries that are traditional sources of development aid and at the same time employers of millions of foreign workers have suddenly awakened to the realization of the emergence of remittances as a new mantra for development. The flurry of studies, researches, forums, cooperation agreements, and programs to harness remittances to develop the local economies of migrant origin countries, followed by the support of the international community, including the United Nations bodies, multilateral agencies and development practitioners, is as they say, history.

Yet, we have also learned that while remittances did result in the alleviation of poverty of some migrant families and triggered multiplier effects to the economy of developing countries, the benefits were asymmetrical, serving only the less-poor areas. These remittances did not automatically translate into benefits for the country as a whole. A question has also been raised as to whether remittances could compensate for losses of talent (brain drain), the social costs associated with the separation of families, and the perpetuation of a culture of dependency by migrant families and the beneficiary country. Likewise, cases of abuse and exploitation of both legal and irregular migrants have increasingly been recorded, alongside cases of trafficking and the smuggling of persons.

## **A Review of Migrants' Rights Advocacy**

Advocates have time and again called the attention of the international community to the alarming trends in the legislation and policy-making of destination countries that discriminate against migrants. These policies include the building of border walls, the increased detention and deportation of migrants in certain countries in violation of due process, and the exclusion of migrants or their representatives from participation in public forums where their welfare is involved. Under a regime that derogates migrants to the status of economic commodities or a factor of production, human development cannot occur. If legally-recruited migrants could be subjects of abuse and exploitation in host countries, what hope is there for those in more precarious and vulnerable situations, such as undocumented migrants, trafficked persons, or those applying for refugee or asylum status?



Migrants' rights are human rights enshrined in important conventions of the United Nations, namely the Convention for the Protection of All Migrant Workers and Members of their Families (CPMW), which in turn is rooted in the Universal Declaration of Human Rights. In addition, three International Labor Organization (ILO) instruments—namely the Migration for Employment Convention, 1949 (No. 97), the Migrant Workers Convention, 1975 (No. 143), and the 2006 Multilateral Framework on Labor Migration—define a comprehensive normative framework for the promotion and protection of migrant rights. As of July 2007, there have only been 37 ratifications of the CPMW, all from migrant origin countries. This is an indication of the resistance of destination countries against any action that could dilute their sovereign power in handling migrant workers, in conjunction with what they deem is best for their interests.

The underlying reason for advocating the respect of migrants' rights, aside from the fact that they are human rights, is that human development is made more possible under a regime that respects these rights. One of the main themes of the 2008 Global Forum on Migration and Development (GFMD), which will be hosted by the Philippines, is enhancing the developmental impact of migration through the promotion of migrants' rights. However, any discussion on human rights is enough to trigger alarm signals among country representatives attending an international forum, especially destination countries. Thus, despite its non-binding nature, the Association of Southeast Asian Nations (ASEAN) Declaration for the Protection and Promotion of the Rights of Migrant Workers was forged in January 2007, in a summit hosted by the Philippines. The Philippines also played a major part in coming up with the draft that was eventually signed by ASEAN heads of state, including two major destination countries. The draft stands out as a model for regional cooperation on migration matters, especially since the declaration contains a framework largely based on the recognition of migrants' rights. While making it work is another matter, it is, in any case, a good start.

From all indications, the road towards equitable regimes of migration is and will be long and arduous, involving almost 200 million migrants who have left their countries due to human rights deficits, or to seek greener pastures in rich but labor-deficient countries. Governments of origin countries may also lack leverage in negotiating better terms for their migrant workers, particularly when the origin state has adopted outmigration as a national policy, or if it is corrupt and ineffi-

cient in enforcing recruitment regulations at the start of the migration process. Work contracts already signed by the migrant worker and employer prior to departure could be dishonored through contract substitution, abuse and exploitation of the worker, and little could be done to enforce the work contract.

In any case, the positive benefits of remittances to migrant families and certain communities in origin countries can be observable or measurable. Aside from the visible improvement in the income, education, shelter and health of migrant households, areas that are recipients of migrant money have registered improved economic activity in terms of increased commerce, employment and taxes. However, given the debates on the meaning of development, particularly in migration discourse, it could also be difficult to draw the links between migration and development. Questions such as “is economic development equivalent to human development” have been raised. It becomes more complicated if we inject into the equation the aspect of migrants’ rights, another area fraught with conflicts. This can spark a lengthy discussion but without necessarily reaching a consensus. The discussion of migrants rights, however, is a matter of serious concern, considering that a great number are in a vulnerable situation, including refugees and asylum seekers (which account for 13.5 million, or seven percent of the world’s migrants), with perhaps several million migrants in an irregular situation. The Philippines itself has close to an estimated 900,000 undocumented migrants.

## **Economic Empowerment as Social Preparation for Rights Awareness**

It would not be surprising if migrants hesitate to join protests and rights advocacies for fear of losing their overseas jobs, which were obtained at high investment costs, or facing sanctions and deportation, especially in host countries where such actions are considered unlawful. On the other hand, it might be more useful in the meantime to improve their skills, talents and literacy, in order to conserve and maximize the only resources over which they have effective control and moral and proprietary ownership – their earnings and remittances.

This part of the essay discusses trends on migrant economic empowerment to enhance migrants’ awareness of viable, long term economic alternatives that can and should co-exist with the advocacy for

migrants' rights. The objective of any form of human empowerment is to bring out the individual's self-worth through education, acquisition of skills and the improvement of one's capacity to use innate talents and resources towards the achievement of certain goals. In this case, economic empowerment is used as an entry point or as an approach towards enhancing the migrant's self worth and respect. Through the acquisition of new knowledge and skills, the migrant could have mastery of his or her resources, thus ultimately building strength of character and keenness in demanding respect for his or her human rights.

In the hands of the uninformed, migrants' remittances could be a curse, as they may have a tendency to engender a culture of dependency, not only among family beneficiaries, but also in the origin country, which may conveniently forget to work on basic reforms to address self-sufficiency at home and to create an environment that would make migration an option rather than a forced decision. The strategic use of migrants' earnings and acquired talents and skills, through the promotion of specific programs that advocate for greater awareness of financial literacy and the wise use of resources, stands a chance of reversing the spiral of migration, and in the future, relegating it a phase in the country's growth. Indeed, there are emerging practices and programs initiated mostly by civil society groups to raise awareness about the productive use of remittances that result in the wise use of resources and also produce multi-bottomlines<sup>1</sup> for social development.

## **The Case for the Economic Empowerment of Filipino Migrant Workers**

In the case of migrants, whose decisions to migrate may have largely been for economic reasons, the case for economic empowerment through improved literacy and establishing financial relationships would seem natural. In the last 34 years or so, the Philippines has emerged as a model on organized labor deployment, churning out

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<sup>1</sup> Multi-bottomlines refer to more than one social or community benefit resulting from the productive use of remittances. For instance, an investment by an OFW to a Philippine microfinance institution in the form of a time deposit has the potential of generating (a) local investment, livelihood and employment, (b) rural financial reform through improving money circulation, (c) additional and cheaper source of funds for re-lending to enterprising poor (d) an area for savings and investments for OFWs.

about 3,500 workers leaving for overseas employment daily. A law on migrant workers was legislated in 1995, defining the principles and regulations for migrant workers and agencies, to oversee legal recruitment, documentation and protection of migrant workers. Yet, the ratio of government resources to the sheer volume of migrants whose welfare the government has to ensure at the time of deployment, overseas work and return, is so daunting that government protection record is quite spotty. To be sure, the people look to government for leadership in setting a viable and coherent migration policy.

### *Integrating Development in Migration Policies*

It might be useful at this point to briefly examine models of linking with the diaspora in India, Mexico and the Philippines. All three are major migrant sending countries and they rank among the three highest remittance receiving countries in the world. They vary in the manner in which they involve their expatriate communities in supporting develop homeland development.

#### India

India follows a business-oriented model, attracting direct and portfolio investment as well as humanitarian or other philanthropic assistance from successful Indian professionals, technicians, and entrepreneurs. A highly successful marketing campaign abroad generated billions of dollars of sales of non-resident Indian (NRI) bonds, which featured high interest, tax breaks and other incentives. Subsequent reviews of the policy led to announced reforms to ease procedures on investments, information, and assistance to investors, amid demands for greater government attention to diaspora problems and Indian overseas associations' difficulties in helping their hometowns. Commissioned by the Department for International Development in the United Kingdom (DFID-UK) to conduct an overview study on the diaspora's role in poverty reduction in their countries of origin, Kathleen Newland (2004, cited in Bagasao, 2005) writes:

It is difficult to say with any certainty how much of increased [foreign direct investment] and other financial flows into India is the result of the government's new approach—which is still very new—and how much springs from other factors. The

employment of Indian information-technology professionals in the US computer industry and the resulting build-up of links between US and Indian high-tech firms had little to do with Indian government Diaspora policy, and more with its support of outstanding institutions of higher education and general macro-economic reforms. But the government has recognized the potential of the Diaspora to contribute more to India's development efforts, and has moved to clear away some of the obstacles to greater engagement.

### Mexico

The approach of the Mexican government towards its diaspora started from individual Mexican states that formed cooperative ties with Mexicans overseas, mostly those in the US. The federal government not only expanded this initiative, which is now known as the *Padrino* program, to cover other regions in Mexico; it also encouraged successful Mexicans abroad to invest and directly participate in local projects. A large part of what was initially raised went to projects for employment generation and rural infrastructure. Another program known as *Tres Por Uno* was pioneered by the State of Zacatecas, in which the money sent by overseas Mexicans were matched dollar for dollar by the state, municipal and national governments. Newland (2004, cited in Bagasao, 2005) observes that:

Mexico's Diaspora relations have been developed from the bottom up. Individual migrants continue to support their families with the world's second largest stream of remittances. Self-organization among migrants from the same places settling together in the United States have built collective remittances into an interesting model of grass-roots development, although the volume of collective remittances is still dwarfed by the flows among individuals and families. Mexican states have sought to leverage these flows for a greater impact on development, but their primary impact remains on poverty reduction at the level of the individual.

### Philippines

Philippine government policies toward overseas residents concentrate on placing and protecting temporary workers, as well as maximiz-

ing their remittances through tax breaks and privileged investment options while facilitating transfer of funds. Following the Migrant Workers and Overseas Filipino Act of 1995, which requires the government to ensure that Filipino migrants' rights are protected in host countries, many Filipino diplomatic missions include a Migrant Workers and Overseas Filipinos Resource Center, which provides counseling, welfare assistance, information, gender-specific programs and registration. Meanwhile, programs such as LINKAPIL, which was implemented by the Commission on Filipinos Overseas channels financial and in-kind donations raised from Filipino associations overseas to projects supporting education, health care, small-scale infrastructure and livelihoods in accordance with a needs profiling system which provides information on projects that need support. As of 2007, funds raised amounted to more than two billion pesos (Newland, 2004, cited in Bagasao, 2005).

Newland (2004, cited in Bagasao, 2005) also describes the migration policies of the government:

The development strategy of the government of the Philippines is not Diaspora-oriented. Its policy focus is on temporary labor migration. The policies of the Philippine government appear to treat the financial contributions of Diaspora and temporary workers alike primarily as income flows rather than potential investment stock. As income flows, they relieve poverty directly. While the Philippines does have an overseas labor export system that has become the model for other potential migrant-sending countries, the government does not seem to have a strategy to maximize the developmental potential of established communities of Filipinos overseas, which might have a more lasting impact on poverty reduction.

## **Linking with the Diaspora: Civil Society Interventions**

Philippine NGOs, mostly with funding from foreign and local social development organizations, reach out to migrants and their families and introduce to them a range of savings, investment and entrepreneurial options in the Philippines. Among the first to initiate a savings mobilization program for domestic workers in Hong Kong was Unlad

Kabayan Migrant Services Foundation, an NGO based in Quezon City and with operations in Davao, Bohol, Cagayan, Iligan and Zamboanga City (ADB, 2004). The foundation's story is told in an article entitled "Unlad Kabayan: Breaking the cycle of Pinoy migration" by Dennis Carcamo (2008). Established in 1996, Unlad Kabayan pioneered the innovative approach of harnessing migrant workers' resources to support local development. In the early 1990s, Unlad Kabayan assisted in the development of the Migrant Savings for Alternative Investment (MSAI) as a reintegration strategy for OFWs in Hong Kong. Unlad Kabayan then set up MSAI groups in Japan and Hong Kong in 1996 to 1998, also individuals in various destination countries, providing capital for expanding microfinance operations and micro-enterprise building in the Philippines.

According to its Executive Director, May-an Villalba, "We design the framework on how to build sustainable communities where the investments and savings of the migrant workers are funneled." When the OFWs finally return to the communities, they will be productive members of the community as well. Villalba cited one success story of 55 Filipino migrant workers in Taiwan. The group was able to raise more than P3 million in capital and bought a rice mill foreclosed by Land Bank of the Philippines. "Now they have a rice mill, palay trading, agrivet, and farm credit," she said. During the more than 10 years of its existence, Unlad Kabayan and its partners have helped more than 5,000 OFW families (*ABS-CBN News Online*, 23 March 2008), with ventures in Surigao del Norte, Lanao del Norte, Davao City and Davao Province, Bacoor, Cavite and some areas in Quezon City.<sup>2</sup>

Atikha,<sup>3</sup> another NGO based in San Pablo City, also started a program based on savings mobilization and enterprise development. Aside from involving family members, it also mobilized the participation of local government units, church groups, and the regional offices of national agencies, such as the Department of Trade and Industry (DTI), Technical and Skills Development Authority (TESDA), and the

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<sup>2</sup> More details on Unlad Kabayan can be found in its official website. See <http://www.unladkabayan.org>.

<sup>3</sup> The author's description of Atikha is based on information collected during two conferences he attended: 1) The INAFI Asian Conference on Migration and Development on 23-27 May 2006, Tagaytay City, (co-convened by Atikha); 2) The Philsen-Unlad Kabayan conference on 2007, in Marikina City (convened by Atikha). The information is also based on the author's interview with Atikha's Executive Director, Estrella Anonuevo in 2003, which was used for an Asian Development Bank study.

Overseas Workers Welfare Administration (OWWA). A few years ago, Atikha was granted the free use of an abandoned city government hospital, which it renovated with grants received from various sources, and now runs it as an OFW center offering reintegration, livelihood, and psychosocial services, among others. In 2006 and 2007, it convened a consortium of migration and development practitioners, called the Philippine Consortium for Migration and Development (Philcomdev) (see Añonuevo, this volume). Together with the International Network on Alternative Financial Institutions (INAFI), an international microfinance network, they are setting up specific programs that will link migrant savings and investments to promising countryside enterprises, such as manufacturers for domestic and export markets and coconut products, such as virgin coconut oil, soap, shampoo, scents, among others.

One thing in common with these two examples is the bias towards countryside development. From the Philippine perspective, it makes good sense that the focus should be on the countryside. First, according to the Philippine Overseas Employment Administration (POEA), two-thirds of all Overseas Filipino Workers (OFWs) originate from the countryside (ADB, 2004). Secondly, poverty is still rural-based. Thirdly, due to the overcentralization of resources in Metro Manila and the urban areas, rural financial reform is urgently necessary. A relevant project currently being put together by another Philippine NGO involves building relationships and links between OFWs and their families and well-managed products and services of a number of rural banks. These services include time deposits in microfinance institutions, access to microfinance, mentoring and guidance, on entrepreneurial ventures and property purchases, and OFW-related needs. The joint conduct of financial literacy sessions for intending migrants is also a feature of this undertaking between the rural banks and the convenor NGO, Economic Resource Center for Overseas Filipinos (ERCOF), which is also a partner and resource organization of the *Bangko Sentral ng Pilipinas* in its financial literacy campaign for OFWs and families (see [www.ercof.org](http://www.ercof.org)).

## **The Missing Link: The Last Mile**

While it is a good thing that competition and new telecommunications advances have driven down the price of money transfers and had given migrant workers wider access to formal transfers, these develop-



ments only address the first and the second mile<sup>4</sup> of the remittance journey. The excessive focus of multilateral agencies on increasing flows through formal channels and remittance-only initiatives may have the effect of shutting out alternatives that address the critical “last mile” where the spending and use of remittances occur. What good are savings on remittance costs, when these will just increase the migrants’ disposable income to spend on non-essentials? Thus, funding support should also be devoted to programs of NGOs and grassroots financial institutions such as cooperatives, microfinance institutions (MFIs) and rural banks, which can mentor and enhance the use of remittances received in order to achieve the more direct and trickle down effect of money inflows.

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<sup>4</sup> The first mile relates to the environment affecting the remittance senders from the country of work, while the second mile refers to the remittance environment after the remittance is sent and up to the point of its receipt in the beneficiary country.

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## Converging Initiatives on Migration and Development

Estrella “Mai” Dizon-Anoñuevo  
Atikha

### Introduction

There are about 8.7 million overseas Filipinos (OFs) in 193 countries and ocean-plying vessels around the world. They constitute about 10 percent of the Philippine population and 22 percent of the country’s labor force. Overseas Filipinos (OFs) pour in billions of dollars to the Philippine economy. *Bangko Sentral ng Pilipinas* (2008) reported that in 2007, the total remittances sent by OFs through banks reached US\$14.4 billion, higher than the US\$12.7 billion remitted in 2006.

When managed properly, huge dollar remittances sent to the country can serve as a significant resource for national and local economic development. Migration has enabled overseas Filipino workers (OFWs) to provide basic needs for their families. Majority of them, however, are unable to save and invest for long-term needs and for eventual reintegration. Very few of them have successfully invested in enterprises that created jobs and spurred local development.

Aside from supporting families, a significant portion of remittances consists of donations to churches, local governments, schools, and other institutions. The practice of giving back to one’s country, oftentimes

to one's hometown, now popularly called 'diaspora philanthropy,' is gaining ground as second and later generation migrants search for their roots and their identities and the first generation prepares to retire back home. However, donations have mostly been geared towards socio-cultural projects, such as church improvement, scholarships, beautification projects, and the like, which have limited impact on local development.

Although overseas migration results in economic benefits, it also exacts social cost on the OFWs, their families and communities. Many Filipino migrants, especially women and undocumented workers are subjected to abuse, discrimination and exploitation. Various communities in the Philippines are also witness to the growing social cost of migration on their families and communities, such as the increasing dependency on migrants' earnings, estranged relationships and the break-up of families.

There is a need to tap the resources and expertise of overseas Filipinos, while at the same time, addressing social costs so that overseas migration can fully contribute to development. Several NGOs have realized and committed themselves to the urgency of such a mission and advocacy. An important step in this direction has been the building of coalitions among NGOs to realize this task.

## **The Philippine Consortium on Migration and Development (Philcomdev)**

Various efforts in the country and at the international level have directly influenced the converging of initiatives of various stakeholders on migration and development in the Philippines. The increasing share of migrant remittances in the GDP of many countries drew much interest and attention from governments, development agencies, NGOs, and other stakeholders around the world. The World Bank, for one, focuses its attention in ascertaining the development impact of remittances. Migration and development became a discourse not only among migration-oriented NGOs, but also among NGOs involved in development work both in the Philippines and internationally.

In October 2005, Atikha,<sup>1</sup> together with the International Network on Alternative Financial Institutions (INAFI) Philippines,<sup>2</sup> the Philippine Rural Reconstruction Movement (PRRM),<sup>3</sup> the Institute for Migration and Development Initiatives (IMDI), and the New Rural Bank of San Leonardo were invited by Oxfam Novib, a development agency based in the Netherlands to attend a conference on Remittances and Development in Zacatecas, Mexico. The participants were exposed to the practice of Mexican migrants in pooling and leveraging resources for development such as the *Programa Tres por Uno* of the federation of migrants coming from Zacatecas. The experience in Mexico provided an opportunity for the delegates to learn, interact, share initiatives, and study possibilities of partnership. The Philippine delegates recognized the similarities of the philanthropic practices of Mexican migrants with those of Filipino migrants. The difference lies in the fact that Filipino migrants' initiatives remain dispersed and lack a structure that can pool various initiatives.

Following the conference in Mexico, Atikha, INAFI Philippines and the PRRM agreed to jointly spearhead initiatives to converge the efforts of migration and development stakeholders in the Philippines. The group was tasked by INAFI International to organize an International Conference on Migration and Development in the Philippines.

The International Conference on Remittances, Migration and Development was held in May 2006 in Tagaytay City. The conference brought together various stakeholders like government agencies, overseas Filipino organizations, development NGOs, migration-oriented NGOs, microfinance organizations and social enterprises to discuss issues on migration and development. More importantly, the conference provided an opportunity for various stakeholders to discuss coordinated initiatives to minimize the costs and maximize the gains of migration. The concrete action program which came out of the conference was the setting up of a working group on migration and development. Some members of the working group became the steering

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<sup>1</sup> An NGO piloting initiatives in addressing the social costs of migration and mobilizing overseas Filipino resources for local economic development in Laguna and Batangas; see [www.atikha.org](http://www.atikha.org).

<sup>2</sup> A network of microfinance organizations; see <http://www.inafi.net>.

<sup>3</sup> An NGO with a long history of development work in the Philippines; see <http://www.prrm.org>.

committee, which later organized the Philippine Consortium for Migration and Development (Philcomdev).

On 4 January 2007, a conference was organized to establish Philcomdev. About 55 participants representing 34 NGOs, organizations, and advocates actively working for the involvement, participation, and re-integration of migrants and their families attended the conference. They vowed to link up, coordinate, and upscale their programs, strategies, and services related to migration and development.

The establishment of the Philcomdev was facilitated by the following efforts and initiatives:

- Overseas Filipino organizations involved in diaspora philanthropy have started to support development initiatives. The Overseas Filipino Worldwide Mutual Benefit Corporation (OFW-MBC) raised funds for the setting up of Coco Natur, a social enterprise involved in community-based coconut production in Laguna. Several hometown associations (HTAs) like *Damayán* and *Stichting Habagat* in the Netherlands and Romblon Discussion List (a virtual HTA) pooled and leveraged resources for community development.
- Organizations involved in rights, welfare and reintegration, like the Asian Migrant Center in Hong Kong, have established partnerships with organizations in the Philippines, like *Unlad Kabayan*, which assist OFWs for their eventual return to the Philippines. Some migration-oriented NGOs in the Philippines have engaged themselves on issues of reintegration and economic concerns of migrants and their families.
- Microfinance organizations, especially the members of the IN-AFI network, were looking at the links among remittances, migration, and development and the role of microfinance in this growing discourse.
- NGOs involved in social enterprise development, especially the members of the Philippine Social Enterprise Network (PhilSen)<sup>4</sup>, have realized the potential contribution of overseas Filipinos in providing assistance to social enterprises in their hometowns.
- Development agencies like Oxfam-Novib and Friedrich Ebert Stiftung played a critical role in the setting up of Philcomdev

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<sup>4</sup> A non-government network of groups working for social development.

because they provided financial assistance in supporting preliminary organizational discussions and efforts.

After a series of meetings to thresh out issues and a program of action, the various stakeholders held the first Philcomdev general assembly on 19 June 2007. There were three networks that converged and formed the Philcomdev: INAFI Philippines, Philsen and Migrant Forum in Asia (MFA)–Philippine members.

Philcomdev was formed as a "network of overseas Filipino organizations, non-government organizations, people's organizations, micro-finance institutions, cooperatives, community based organizations, networks, and individuals that are involved in, and agree to converge their initiatives around, the issue of migration, human rights and development - particularly the empowerment of migrants, overseas Filipinos, their families and communities as social development actors, addressing the social costs of migration, optimizing the benefits of migration, and contributing to people-oriented Philippine development" (Philcomdev, 2007).

## **A New Arena for Rights and Welfare Organizations?**

The main difference between organizations promoting the rights and welfare of migrants and those involved in migration and development is in terms of perspectives. Rights and welfare organizations take and uphold the point of view of migrants on various issues, concerns and initiatives. Migration and development organizations take the point of view and uphold the interest of the community which includes migrants and their families as key actors, among others.

The difference in perspective means that coalition-building for migration and development involves mobilizing a broader number of stakeholders. It entails building cooperation and partnerships with migrant NGOs and individuals involved in migrant rights and welfare advocacy. In addition, it involves building coalition with other stakeholders who are involved in sustainable development of communities. The perspective seeks not only the mobilization of the temporary contract workers and the undocumented workers who are usually the main stakeholders of rights and welfare organizations but also the immigrants and permanent residents who can be tapped for savings, investment, and philanthropy.

Advocacy work in migration and development involves engaging hundreds of development NGOs in the Philippines that are working in rural communities. It also seeks to engage local government units to include the welfare of migrants and their families in their development agenda. Although migrants comprise about 10-30 percent of the population of some communities in the Philippines, their interests are never part of the local development agenda. There is an impression that migrants are relatively well-off compared to other sectors in society and thus, advocacy for their welfare is not necessary. Furthermore, migrants are not also seen as active development players in their communities so their potential contribution in terms of financial, human, and technical resources is not mobilized. Advocacy with the local government should include the institutionalization of economic and social programs and services such as the creation of an OFW center or OFW desk that can help address the social cost of migration. It also entails the leveraging of diaspora resources with government resources aimed at supporting sustainable development projects in the community.

Advocacy on migration and development also means mobilizing microfinance organizations and other financial institutions to integrate financial literacy and savings instruments for migrants and their families in their programs. Migrants' savings could be used to finance micro-enterprises to alleviate poverty. Organizations involved in enterprise development work could provide training and create investment opportunities for OFs and their families. Migration-oriented NGOs, on the other hand, can contribute by mobilizing migrants to consider philanthropic activities and to invest in social enterprises.

## **Issues and Challenges Facing Philcomdev**

Coalition building in Philcomdev is a continuing challenge because it entails changing the mindsets of the various stakeholders. Several issues remain and need to be threshed out so that the stakeholders can come up with a common understanding of the mission and objectives of Philcomdev. The following are some of the issues and challenges that were brought out.

### *Can Migration Lead to Development?*

Migration in the Philippines is a result of underdevelopment. The Philippine government should not rely on migration as a strategy for de-



velopment. It should address economic, political, and social structural problems that are the root causes of poverty. There are NGOs which maintain the view that migration and development are two contradictory terms, since, according to them, the more people migrate, the less likely can we expect development in the country. For them, advocacy should not be geared towards considering the potential development contributions of migrants but towards addressing the structural problems that prompt Filipinos to migrate.

NGOs involved in community work have a different perspective. Working in communities where a large part of the population are OFWs, they are witness to the dissipation of OF resources, the growing dependency on migrants' earnings, the break-up of families, and the unproductive use of diaspora philanthropy. These NGOs see the need to tap and realize the development potential of OFs without disregarding the social costs of migration. For them, creating additional 100 jobs from OF investment and philanthropy assumes more urgency and importance than advocating for structural change.

It should be recognized that both types of work - working for structural change and realizing concrete and material gains - are equally important and that they should, in fact, complement each other.

### *Should Migrants Be Held Responsible for the Development of Their Communities?*

A director of a migrant NGO asked, "Why are we burdening the migrants and making them responsible for the development of their communities? This should be the role of government." The argument seems to suggest that we should not mobilize OFs and OFWs to donate to sustainable development projects.

While it is true that the development of communities is primarily the responsibility of the government, OFs have become development actors in their communities of origin. The reality, however, is that migrant workers and immigrants, whether individually or collectively, are donating resources to support development projects in the Philippines. In the case of HTAs, the hometown can assume different meanings - for some, it may be the barangay; for others, it may be a bigger community, such as the home province.

There is a need to link the initiatives of HTAs and other OF organizations with development NGOs to ensure that their philanthropy

could contribute to the sustainable development of their communities. But expectations must be tempered by recognizing that OFs are a very diverse group and thus, have different capacities in giving back to the country. The 8.3 million overseas Filipinos consist of permanent residents (43 percent), temporary workers or OFWs (46.18 percent), and undocumented workers (10.62 percent) (Commission on Overseas Filipinos, 2007). To date, most philanthropic contributions come from permanent residents, many of whom have become successful abroad and are looking for various ways to “pay back” to their communities.

### *Inequitable Distribution of Resources*

The regional, town or *barangay* bias of overseas Filipino organizations in giving their philanthropic contributions (some of which have partnerships with some Philcomdev member organizations), is seen by some researchers in a negative light. Some maintain the view that encouraging organizations to contribute to their hometowns perpetuate inequity. Powers (2006) for instance, is of the view that the philanthropy of overseas Filipinos is a “highly inequitable funding mechanism for development (that may) overlook the areas most in need of assistance.”

But HTAs are not development planning agencies nor should they act like national government agencies. Why then demand that they act as such and be “equitable” in their actions? Furthermore, local bias could be seen in a positive light. Resources and various efforts including that of overseas Filipinos, local government units and NGOs can be converged towards the development of a town or community. Diaspora philanthropy should not be viewed as a development strategy; rather, it should be seen as a potential resource that can contribute in realizing appropriate development plans. HTAs should not be discouraged to support their hometowns if only to ensure the equitable distribution of resources. It is the responsibility of development actors to ensure that the resources of overseas Filipino are used, at the very least, to alleviate poverty in the hometowns of migrants.

### *Centrality of Migrants*

The centrality of migrants in the work of migration-oriented NGOs and the “migrant-blind” tendencies of development NGOs is one of the basic differences between these two NGOs. Some migration-oriented

NGOs are concerned that development NGOs may "exploit" the resources of OFs for their development projects. As in their rights and welfare work, they assert the centrality of migrants in migration and development initiatives. Development NGOs on the other hand underscore that there should be no central figure undertaking migration and development initiatives. If these two were to enter a partnership, development NGOs would push for promoting the welfare of migrants as well as that of other sectors such as the farmers, workers, and women. From the perspective of development NGOs, holding migrants as central in migration and development initiatives means privileging the welfare of migrants over other sectors, which can run counter to sustainable development work.

### *Building Trust and Confidence among Various Stakeholders*

The various differences in ideas, perspectives, and methods of work are resolved through discussions among the stakeholders of Philcomdev. The more challenging task is developing trust and confidence among the various stakeholders.

Majority of the migration-oriented NGOs are not familiar with other stakeholders in Philcomdev. Some NGOs have even questioned the involvement of other NGOs in migration and development initiatives, unjustly accusing them of dipping into the "flavor of the month." On the other hand, some development NGOs view other migration-oriented NGOs as very territorial, preferring only to work with other NGOs which have had a long engagement with the migrant sector.

There is also a need to build trust between the OF organizations or HTAs and the development NGOs, LGUs and other partners in the Philippines who could assist them in implementing their projects. OFs are very willing to assist their communities, but they will only partner with individuals and organizations that they know will ensure the implementation of their projects.

Building trust requires time for the various stakeholders to know and understand each other's motivations and actions. It requires building organizational mechanisms that would ensure varied interests of the different stakeholders are respected. It requires openness and transparency from all the members so that issues are confronted and addressed.

Building the coalition of Philcomdev is a feat. It unites NGOs, cooperatives, and social enterprises which have varied ideas, perspec-

tives, experiences, and methods of work towards a common vision of ensuring that migration would lead to the development of the OFs, their families and communities. Unity in ideas is, at times, difficult to achieve and people who lack patience and motivation would just give up. Some people even have the attitude that it is less complicated and faster to work alone.

But the task at hand is enormous. People must take on the challenge of building a coalition with others because the interest of millions of overseas Filipinos and their families is at stake. The sacrifices of the OFs and their families would be in vain if the social and economic costs of migration are not addressed. The future of communities of origin is at risk if the potential of migration is not harnessed towards their development. Various actors and stakeholders must put their acts together to ensure that migration contributes to sustainable development.

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# **Remittances, Migration and Development**

## **Perspectives of Filipino Migrants in Italy**

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This paper focuses on Filipino migrants in Italy and their practices and views regarding issues touching on international migration and development. The contents are based on the author's reflections and practical insights from the researches and activities she has participated in. Her involvement in a recently concluded project where she was one of the research consultants representing her organization, the Filipino Women's Council (FWC),<sup>1</sup> based in Rome, Italy, and references to findings from related studies conducted by other researchers are major sources of data for the discussion.

Part one of the paper provides a background of Filipino migration to Italy, with a special focus on the gender profile of the Filipino population in Italy. Part two presents the programs and activities of Filipino

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<sup>1</sup> The FWC is an organization formed in 1991 by a small group of Filipino migrant women workers in Rome. It has been working towards educating Filipino women about their rights and responsibilities as migrants living in Italy, while lobbying the relevant authorities for the recognition and legislation of these rights.

migrants' associations in relation to initiatives on international migration and development. Most of the discussion is based on a study commissioned by the United Nations Institute of Training and Research for the Advancement of Women (UN-INSTRAW), which is one of the few studies about the gender dimensions of remittances and their impacts on rural development in the Philippines. The conclusion in part three presents some practical considerations on how stakeholders can enhance partnerships with migrants' associations.

## Filipino Migration to Italy

Italy's recent migration history reflects a clear shift from being a mass emigration country to a major receiving one. Analysis of data in the past years shows that the majority of migrants came from developing countries, specifically from North Africa, and that there is a relative concentration in the northern regions of the peninsula. After Italy's economic upswing in the early 1970s, the country found itself hosting nearly 144,000 migrants; in 1980, the number increased to 300,000. In 1987, following the first amnesty program, the number of migrants reached 572,000 (*Caritas/Migrantes*, 2005).

Migrants from African countries – many were Eritrean and Ethiopian women escaping violence in their homelands – started to arrive in the mid-1970s. Cape Verdean and Filipino women filled domestic work positions as more Italian women started to work in private productive sectors. More migrants followed in the subsequent years. By the 1990s, people fleeing from armed conflict and poverty in their home countries continued to come to Italy. During the decade, the number of migrants from East European countries increased, mainly due to the conflict in the former Yugoslavia. The long civil war in Somalia also brought in refugees to Italy. Later, Albanians, Romanians, Poles and Ukrainians also arrived in the country. The statistics in the 2000s reflect the steady increase of international migration to Italy. There were 1,360,049 adult migrants in Italy in 2001, 1,512,324 in 2002, 2,193,999 in 2003 and 2,325,000 in 2004. As of January 1, 2005 the Italian Statistics Office (ISTAT) showed that Italy hosted 2,402,157 migrants, of which 1,226,712 were male and 1,175,445 were female. Eighty percent were migrant workers employed in domestic and caregiving positions (*Caritas/Migrantes*, 2005).

## *Characteristics of Filipino Migration*

The Filipino population is the 13<sup>th</sup> most populous migrant community in Italy with a total population of 113,907 Filipinos legally recorded in the country's statistics register by December 2006. Of the total, 70,694 or 62.1 percent are women. About half of the Filipino population – 62,894 – is regularly employed, of which 37,136 are female and 25,758 are male. The Filipino community in Italy also has a sizable population of minors numbering 20,942 (*Caritas/Migrantes*, 2006).<sup>2</sup>

Unlike in other popular destination countries, the migratory flows to Italy were initiated by connections to the Catholic Church rather than through the promotion of labor migration by the Department of Labor and Employment. The succeeding waves of Filipino migrants were mostly unauthorized migrants carrying tampered passports, or claiming to be tourists, but overstaying later on. The series of legalization amnesties<sup>3</sup> granted by the Italian government to reduce unauthorized migration helped those who were already employed to regularize their positions as authorized migrant workers.

An overwhelming number of Filipino migrants in Italy have finished secondary education, if not, a university degree. No survey of the professional qualifications of Filipino migrants in Italy exists. The first wave of migrants to more recent flows include many Filipino women who have had professional working experiences prior to their arrival in Italy – as teachers, nurses, office workers, including dentists and engineers. In spite of their relatively high educational levels, Filipino migrants – both male and female – are mostly employed in the service sector, mainly in caregiving and cleaning jobs. Their educational and professional credentials in the Philippines are not recognized in Italy. As domestic workers and caregivers, Filipinos are known to be the best, a common, stereotyped recognition attributed to Filipino migrant workers in Italy.

An important characteristic of Filipino migration to Italy is the preponderance of women migrants. The *Dossier Statistico of Caritas di Roma* (2005) disclosed that of the 26,000 Filipino migrants living in

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<sup>2</sup> The data cited by Caritas/Migrantes are derived from the National Institute of Statistics or ISTAT ([www.istat.it](http://www.istat.it)) and the Ministry of Interior ([www.interno.it](http://www.interno.it)).

<sup>3</sup> Italy has carried out five amnesties between 1986 and 2002. The first and last amnesties were guided by Law 943 (1986) and the Bossi-Fini Law (2002), respectively.

Rome, 61 percent or 16,000 are women. In Italy, most of the Filipino women are employed as domestic workers and caregivers for the children and the elderly. The demand for foreign domestic workers is driven by the lack of support services from Italian institutions, and the high costs of private institutions. Facing economic, underemployment and unemployment challenges in the Philippines, Filipino women were among those who responded to fill the demand for care workers.

Most of the Filipino women migrant workers in Italy are already married and had children before they left the Philippines. The woman is usually the one who decides to migrate first, since it is perceived that it is easier for women to find employment abroad as domestic workers. With their earnings in Italy, they have become the main providers for their families in the Philippines. Many of these women reunite with their spouses after several years in Italy, and when the couple's situation improves, the children are also brought into the country under the family reunification policy.

Filipino migration is largely a household survival strategy. The studies conducted by the FWC (Basa and dela Rosa, 2004; UN-INSTRAW, 2007) revealed that under the general economic reasons articulated by women migrants are more specific goals, such as financial support for the education of children or younger siblings, the purchase of a house and/or agricultural land, the repayment of debt and the accumulation of savings for business investments or retirement.

### *Economic Outcomes of Filipino Migration*

Other than sending remittances to their families, migrants and migrants' associations are now increasingly recognized as crucial partners for development in their home countries. Migrants also contribute to economic growth by setting up entrepreneurial investments managed by their families in their home communities. Apart from direct or indirect economic contributions, they also engage in political debates and the strengthening of civil societies both in countries of origin and destination, thus stimulating policy changes (Massey et al., 1998).

The World Bank's "Migration and Remittances Factbook 2008" (Ratha and Xu, 2008) reported that in 2007, the total of inward remittance flows were estimated at US\$317.7 billion, of which US\$239.7 billion were sent to developing countries. Remittances are indispensable for many economies, especially for developing countries. In the Philippines, the *Bangko Sentral ng Pilipinas* (2008) reported that overseas Filipi-



nos sent home a total of US\$14.4 billion in remittances coursed through banks. The bulk of overseas inflows came from the United States of America, the United Kingdom, Italy, the United Arab Emirates, Saudi Arabia, Canada, Singapore, Japan and Hong Kong. In the last ten years, Filipino migrants have been the largest remitters among migrant groups in Italy (*Banca d'Italia*, 2005).

The growing interest in remittances by financial institutions and the world of development work has resulted in a number of studies. Given the impact of gender relations in social and economic issues, it is important to consider the gender dimension of remittances. Research attention to the topic is just beginning to be discussed. One of the pioneering studies in this respect is an investigation of women migrants' philanthropic practices. Supported by the Mama Cash Foundation in The Netherlands, the study explored the diaspora philanthropy of women migrants in five European countries – The Netherlands, France, Germany, the United Kingdom and Italy. The author conducted the research report on women migrants in Italy. The study in Italy involved 21 women migrant leaders from Africa, Latin America and Asia. The study documented that women migrants have long been involved in supporting a variety of development projects supporting social change in their home communities. The projects they supported have enhanced community empowerment, contributed to the education of women and children, improved infrastructure, and advocated for human rights. The philanthropic activities of women migrants living in Italy have also benefited their families and contributed to the social and economic development of their hometowns (Basa, 2006).

## **The Migrants' Perspective: Gender, Migration and Development**

The UN-INSTRAW (2007) study entitled, "The Gender Dimension of Remittances: Their Flows, Uses and Development Impacts," attempted to examine women's remittances and their impacts. The study focused on women remitters, their means or channels of sending remittances, and the purposes to which women's remittances are used.<sup>4</sup> The FWC as

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<sup>4</sup> Another study on the Filipino migration to Italy has also been funded by the UN-International Food and Agricultural Development. The results of the case study will soon

the main partner to this study was responsible for all the fieldwork interviews in Rome and in five provinces in the Philippines. It organized the validation workshop and the mapping exercise of Filipino migrants' associations in Rome, as well as NGOs and institutions both in Italy and in the Philippines that work on issues of remittances, migration and development, including financial institutions in Italy that provide remittance and money transfer and other financial services for Filipino migrants. The FWC also actively participated in providing comments on the analysis of the field and project reports in examining the impact of remittances and their potential to contribute to sustainable and gender-sensitive local development in rural Philippines. The subsequent sections will highlight some of the key programs and activities of Filipino migrants' associations in regards to development based on the UN-INSTRAW study.

### *Organizations Involved in Development Projects*

Its many years of community work experience was an asset in helping the FWC identify and map out the relevant actors in remittance-related development projects in Rome, home of the biggest Filipino community in Italy. The diversity of actors includes Filipino migrants' associations (FMAs), hometown associations (HTAs), non-governmental organizations (NGOs), and financial institutions (including those based in the Philippines). Thirty-two Filipino migrant groups collaborated with the FWC research team during the mapping exercise. Of these, fifteen are religious associations and four are informal social groups; nine are registered organizations dealing with social issues that include a cooperative; and two are informal cultural groups. Two teams were sent to conduct fieldwork both in Rome and in the Philippines. The author's team was tasked to handle two provinces in the Philippines, namely, Batangas (specifically, the municipality of Mabini) and Oriental Mindoro. Fifteen in-depth interviews of respondents in Rome were gathered for each province of origin. Another 15 interviews were recorded from respondents located in those two provinces in the Philippines. A total of 60 in-depth interviews were gathered. The second team had a more varied selection of respondents. In Rome, the team interviewed nine respondents who originated from Tarlac, seven who

came from Pampanga and 15 who were from Ilocos Sur. In the Philippines, the team interviewed 11 respondents from Tarlac, five from Pampanga and 20 from Ilocos Sur. This brought about a total of 67 in-depth interviews.

The mapping activity found that 23 FMAs are directly or indirectly involved in supporting development projects in their communities of origin. Those indirectly involved are organizations that support other fundraising initiatives headed by other groups in times of emergency needs as a result of natural disasters and other calamities in the Philippines. Various groups were carrying out different kinds of 'development' work either for their members or contributing to the development of their communities of origin. When asked whether they had development projects, one leader respondent said:

Yes, why not? We already support projects here to help our community members in times of emergencies; back home, [we help] indirectly through our families for community projects.

Several associations doing philanthropic activities on a regular basis for years now are mostly church-based or religious groups. A Filipino cultural association is also an active contributor to fundraising projects for the poor and contributions are coursed through religious organizations, while two Filipino religious groups linked with *Garwad Kalinga* are also actively supporting housing and livelihood projects for the poor in the Philippines.

Four HTAs have also been involved in development-related activities, such as the experiences of the HTAs from Ilocos Sur (Santa Catalina Filipino Immigrant Association and Saranay Ilocano Association). These HTAs emerged during the difficult period when a majority of migrants were unauthorized workers in Rome and were deprived of many rights and privileges. They collected membership fees not only to save extra money, but also to assist their fellow members in Rome who were facing difficulties, especially in times of illnesses and deaths of members or relatives back home. In such cases, contributions are usually sent through any family or community member going home.

Between 1986 until the mid-1990s, remittances from Italy to the Philippines were sent through relatives going home.<sup>5</sup> Remittance flow

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<sup>5</sup> For about a decade, Filipinos 'smuggled out' their monies – carefully packed and kept away from the control of the Italian authorities – otherwise they are confiscated. It

was relatively low because banking services were not accessible to immigrants. Many years later, these Ilocano HTAs started to support projects in their hometowns. In fact, other hometown associations, such as Cabalen and Catangcas HTAs from Pampanga and Tarlac, as well as church-based FMAs mainly from Solo, Mabini, Batangas have followed the same practices. There were no details as to the amounts sent by the leaders interviewed. The author had to rely on declarations made by the leaders, and by the many other officers or members of each group approached during the research. For example the leader of a group from Mabini was the first one to inform the author of the existence of these hometown associations. As the research went on, information about other groups doing such activities were revealed. Two of the leaders interviewed declared that contributions are normally hand-carried by a returning leader or member and turned over to the representative of the requesting institution in the communities of origin. The HTAs from Ilocos Sur and from Pampanga usually hand their contribution to the *barangay* captain or to the local government officer that they trusted.

The most common fundraising practices of FMAs in Rome and Italy as observed by the author are organizing concerts, bingo socials and raffle draws. These events are at times combined with beauty contests and caroling during the Christmas season. Other than contributing cash from out of their own pockets, FMA members also contribute enormous time and energy to preparing the program activities. In many cases though, FMAs solicit from Filipino business establishments, such as Filipino stores, shops and from Filipino financial institutions. Their partners in the Philippines are usually local governments – mostly their *barangay* officials. Some HTAs partner with elementary school administrations and their local parish churches, and in some instances, even with Philippine NGOs who seek support from them. In 2002 through the FWC, Centro Internazionale Crocevia, an Italian NGO, provided a grant to Atikha for a project to educate the children of migrants in Mabini, Batangas on the values of remittances. There was no other recorded experience that followed this initiative. Other

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was not unusual for a returning Filipina to carry in her body and suitcase big sums of money to be distributed to the relatives of migrants in the Philippines. A returning Filipina can bring with her the whole savings or salaries of all those coming from the same town or *barangay*. Some were fortunate to have been assisted by their employers who allowed migrants to use their bank accounts to remit money to an account in the Philippines.

projects supported by the Filipinos in Italy include scholarships for children in poor areas, relief operations for calamity victims, and the Philippine government's project to build or repair public schools in poor rural areas. Filipinos also supported their town's beautification projects and contributed funds to improve churches or repair chapels. Others contributed to *barangay* celebrations; in some cases, they contributed towards the construction of chapels and *barangay* halls.

The principles of cooperation and solidarity are behind the reasons why FMAs actively seek to respond to the social, cultural and economic problems in their communities of origin. Although they have limited resources, after sending remittances to their families, they oftentimes set aside some amount to support projects in their hometowns.

### *The Italian Scenario*

While there are several FMAs identified in Italy that promote development activities in the Philippines, only a few of these were found (HTAs) to provide regular support to their communities of origin. But the potential still exists for migrants' associations to participate more effectively in Philippine development. The study suggests that FMAs have shown interest in transnational social and economic engagement, especially after hearing some examples of diaspora philanthropy from other studies recounted by the author. Many of the leaders interviewed revealed that despite the small contribution their associations give as compared to projects supported by NGOs or Filipino associations in other countries such as in the United States, they still take pride in the money that is donated by their own members. However, they admitted that if done in a more structured manner and with proper instruments, they could be good sources of development support.

However, migration and development policies in Italy are still weakly developed. Most of the co-development initiatives take place at the local and regional levels. These are in the form of trans-local partnerships between Italian regions and municipalities and institutions in the countries of origin of migrants. There have been over 60 trans-local and trans-regional development projects funded by the Italian local governments of Rome, Emilia-Romagna, the Region of Tuscany and other key cities hosting big migrant communities. On the whole, local and regional projects under the decentralized cooperation scheme tend to suffer from institutional and financial shortcomings. On the other hand, they illustrate the willingness and creativity of local authorities

and the increasingly vocal migrant communities (de Haas, 2006).

In Italy, funds are accessible to legally registered non-profit organizations, including migrant organizations with development backgrounds. But the majority of those who are able to access funds are Italian development NGOs which have local migrant organization contacts or vice-versa. In the author's research on the diaspora philanthropy of women migrants in Italy (Basa, 2006), the majority of the women leaders in five European countries, including some Filipinas interviewed in Italy, admitted that organizational problems and the lack of proficiency in writing project proposals are the two primary setbacks encountered in their development work. Added burdens like the lack of information, contacts, and skills in project management pose a problem for migrants' associations in pursuing their co-development endeavors.

The study on gender and remittances identified various needs of Filipino migrants, opportunities to improve their living and working conditions in Italy, and the ways in which migration and remittances could have a positive impact on the development of Filipinos in the Philippines. The validation exercise organized by FWC in September 2007 attended by over 80 participants (FMA leaders and interviewees) discussed the results of the study and identified priority issues, as well as key partners and strategies for future policy-making and community action. The exercise also worked on areas that would help promote the following: HTA community development projects, building alliances and information networks on rights, roles and responsibilities, the establishment of a women-led cooperative to create business opportunities, and the capacity building of FMAs to become more effective in the delivery of services.

### *The Philippines' Situation through the Eyes of Migrants and Their Families*

All the participants in the study – both in Italy and in the Philippines – perceived the Philippine government's lack of support for local development initiatives, especially at the *barangay* level. According to them, corruption is the main problem, and only a few government technicians visit the rural areas. They have had very few or no interaction at all with those who are supposed to be supporting rural development projects. In many cases, even the roads are not maintained, especially if

the elected local government officials did not get votes from specific areas. Furthermore, they criticized the policies of the National Food Authority (NFA), accusing the agency of buying *palay* from local farmers at very low prices, hoarding the products and selling them during critical seasons such as in times of typhoons and other natural disasters.<sup>6</sup>

In addition, the participants in the study were aware of unsustainable development in the Philippines. The capitalization of remittances has to be understood in terms of the impact of migrants as agents, but responsibility cannot be left entirely in the hands of migrants and their families. In fact, in many instances, connecting remittances to development invited negative reactions from Filipino migrant workers. During the course of the study, some interviewees were critical about the development connotation attached to remittances. There was almost total mistrust by one group from Mabini, Batangas when approached by the author to introduce the project and to seek their collaboration. Some of their comments were:

What do you care about our remittances? It's not your business how and where we spend them! Why would it be now our turn to contribute to the development of the Philippines, when the very reason why we are here was because the government could not provide better alternatives for millions of Filipinos!

The banks are those that earn much from this migration and development business. They should contribute to rural development!

Who really gets the most from the remittance business, the banking institutions, or the government?

Discussions also came up about the banks' lack of transparency regarding service fees exchange and the Philippine Embassy's costly services. Two migrant leaders remarked about what in their view unreasonable fees were collected by the Philippine Embassy.

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<sup>6</sup> Voices gathered by the author from interviews in Dulangan, Baco, Oriental Mindoro and Ligaya, Mabini, Batangas (Baas, 2006).

They excel in collecting exorbitant fees! My passport was renewed for €65! That's more than 4,000 pesos! Then, we have the OWWA membership fee; all those fees for their stamps and signatures for €2.50 each! How many tens of thousands of overseas Filipino workers in Italy are paying these fees? They charge a lot more than the Italians. This study should ask the government where all the collected money goes.

If these collected fees are invested for the development in the Philippines, then we're very happy. We could say then that we have another direct contribution to the country – that's after all the taxes and VAT from the purchases from our remittances.

The issue of transparency resurfaced regarding contributions and outcomes. One respondent shared the following account:

Our sad experience was that there was no transparency in the repair of the roofs of the elementary school we supported. There was no report. I've not been home for two years, so I asked my brother-in-law if the money my group sent was used for the work.... So, for development projects, yes, but we have to know who we work with, and being part of the project is even more motivating. It's difficult to collect contributions, but if we have something to show, some proofs that projects are executed properly, we could help and promote efforts...

Another primary observation during the fieldwork was the absence of NGOs dealing with migration and development issues that work in the four provinces covered by the study – Oriental Mindoro, Tarlac, Pampanga and Ilocos Sur. Indeed, in the mapping exercise of Philippine NGOs working on remittances, migration and development, Atikha was the only NGO directly working on migrant issues in Mabini, Batangas. Yet, if we are to look at the statistical data of origins of Filipino overseas workers, many of them come from these provinces.

The participants in the study also expressed interest in learning new skills. Of primary interest is the access to micro-credit facilities by many families who are already engaged in micro-entrepreneurial activities. Access to new and adaptable techniques of farming and fishing also aroused much interest among migrant households. Investments in technology such as irrigation systems, telecommunications, roads and



bridges are seen as opportunities to better transport products from the rural areas to town markets, thereby maximizing profit by eliminating the middlemen.

In the interest of enhancing rural development, specific proposals were underlined by migrants and their families, such as strengthening the farmers' cooperatives through training and technical support, enhancing the fishing and promotion of tourist industries in Batangas, Oriental Mindoro and Ilocos Sur, and conducting entrepreneurial training for migrants' families to enable them to venture into new investments.

Overall, the perceptions, observations and critiques of the participants in the study indicate a wide range of topics, which affect the participation and the well-being of migrants and their communities of origin in regards to development initiatives. Several actors have been identified as playing important roles in international migration and development, including government (national and local), individual migrants and NGOs. The final section of the paper will discuss some practical means by which all of these different stakeholders can enhance and improve their partnerships with migrants' associations in promoting development.

## Conclusions and Recommendations

*"If it's for us, it must be us!"*

In preparation for the first UN Conference on Migration and Development, the author was invited at the IOM-UNFPA experts' meeting, which resulted in the publication, "Female Migrants: Bridging Gaps Throughout Their Life Cycle" (IOM-UNFPA, 2006). The technical paper,<sup>7</sup> collectively prepared by the FWC, explicitly called for the promotion of the participation of migrant organizations in development projects to alleviate poverty in their countries of origin.

In order for migrants to be potentially involved in development policies, Philippine-based development NGOs, the Philippine government itself and international institutions working on migration and

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<sup>7</sup> For the full report of the IOM-UNFPA experts' consultation meeting on female migrants, visit: [http://www.iom.int/jahia/webdav/site/myjahiasite/shared/shared/mainsite/published\\_docs/books/female\\_migrants.pdf](http://www.iom.int/jahia/webdav/site/myjahiasite/shared/shared/mainsite/published_docs/books/female_migrants.pdf).

development should guarantee that migrants and migrants' associations are actively involved in the formulation of development-related policies, project planning and implementation. This can be done in two ways: by supporting capacity-building and network formation among migrant organizations and development NGOs to enhance their abilities to undertake development initiatives; and by sustaining the development initiatives of migrants through financial or organizational support. In general, if migrants and their families are already mobilized for development on their own initiative, then development actors should be mobilized to engage with and learn from migrants to foster development cooperation. Establishing working relationships, networking and successful alliance building also implies that development actors should take into consideration the added value given by migrant organizations by allowing them to voice out their concerns and to participate in policy formulation.

### *Women's Contributions*

In many discourses on migration and development, women are largely not considered. While nearly half of the global migrants are women, their impact on development is often unrecorded. The high number of Filipinas in the international labor market suggests that specific priorities should be considered, as their involvement in development is inevitable. With the ongoing feminization of migration, especially in the Philippine context, more and more Filipino women are expected to leave the country to seek employment in capital-rich countries. Therefore, the new economic and social changes often referred to as "globalization" has gender impacts.

In the case of the women interviewed in two studies conducted by the FWC, the main reason they cited for going abroad was to support their families. In the UN-INSTRAW study, the women shared that their remittances went mostly to household expenses: for the education of their children, for investing in real properties, including the purchase of agricultural lands. Although male migrants also contribute to the family's economic needs, their priorities may differ. A community-action research project (Basa and de la Rosa, 2004) conducted by the FWC also captured the multiple roles Filipino domestic workers play: they are the main providers for their families, distant wives, transnational mothers and good daughters. They also act as part of the support

staff for Italian families and as a contributor to Italian society. Indeed, their contributions surmount the cash and material flows to the country of origin.

In order to improve the situation of Filipino women and to maximize their contribution, it is necessary to highlight and to promote their contributions to the development of the countries of origin and destinations. Also important is adopting an empowerment approach, which would include policies and actions that reinforce the women's autonomy. To be able to do this, policies that reduce the social costs of migration, such as family reunification and other gender-sensitive migration policies, should be implemented. Another solution aimed at strengthening and supporting migrant women according to the principles of empowerment is community action. The importance of women's organizations in self-managed networks should also be underlined as a solution to the disadvantaged situation often tied to gender and non-citizenship (Ndiaye, 2006).

### *Capacity Building, Awareness Raising and Networking*

Based on the feedback from FMA leaders, there are good prospects to enhance their support for development endeavors. What has been absent is a true and meaningful campaign to promote better understanding of gender, migration and development at the micro level. For many Filipino migrants in Rome discussing migration and remittances, what motivates them most is their desire to improve the conditions of their families and nothing else. Lately, there is growing interest in the development impact of remittances on the community. When discussing investments, for example, the participants, i.e., leaders and individuals interviewed in Rome and migrants' family members in the Philippines, acknowledged the importance of learning more about the issue. The leader of an Ilocano HTA, for example, stressed the need to know more about how FMAs and HTAs could benefit from the study.

Networking and learning from the experiences of other HTAs on co-development could also be used as a model, if not as important reference points for raising awareness. The Mexican HTAs' 3x1 experience (see Delgado Wise and Garcia Zamora in this volume), for example, was mentioned by the author in her discussions with community leaders during the mapping phase of the research. This example generated interest on the issue of migration and development. Leaders of migrants' associations acknowledged that they can only donate small

amounts, but if the government can provide some matching funds, these donations can go a long way. Requests for seminars and meetings about these experiences were put forward. Capacity-building programs on leadership, project management, teamwork and networking with other institutions have been recommended as follow-up activities.

Overall, the whole process of the research served as a starting point to raise awareness on the issue of migration and development for the participants in Rome. The Filipino migrants, FMAs and HTAs involved in the study showed considerable interest and acknowledged the need to continue and expand actions. The study stressed the work needed to maximize the use of migration and remittances, which may contribute to sustainable and gender-sensitive development in the Philippines. An invitation is hereby presented to all stakeholders – governments, development NGOs and international organizations – to support migration and development organizations, not only financially but also technically. By enhancing their capacities, FMAs and HTAs can participate and contribute in development processes as full partners.

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## **Filipinos in New Zealand** Contributing to Local Development in the Philippines

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### **The Filipinos in New Zealand**

#### *Demographic Profile*

The Filipino population in New Zealand is relatively small compared to the size of the Filipino diaspora worldwide. According to estimates by the Commission on Filipinos Overseas (CFO), as of 2007, there were 23,023 Filipinos in New Zealand, of whom 19,549 were permanent residents, out of a total of 8,726,520 overseas Filipinos worldwide (CFO, 2008).

The growth of the Filipino community in New Zealand has been notable. In 1951, there were only 18 Filipinos in the country (Statistics New Zealand, 2006). As of the 2006 New Zealand Census, their number has grown to 16,938 Filipinos, a 52 percent increase from the 11,091 counted in the 2001 Census. In fact, the Filipino community is one of the seven largest Asian ethnic groups in the country and is consistently ranked fourth next to the Chinese, Indians and Koreans. Moreover, the

2006 Census data revealed that the Filipino population in New Zealand is young: 30 percent (5,736) are between the ages of five and 25 years old. The few Filipino senior citizens in the country are mostly on short-term visits, staying in New Zealand for a period of six to nine months to see their children. In terms of educational background, Filipinos had the highest educational qualifications compared to Cambodians, Vietnamese and other Asian ethnic communities. More than a third of them hold university degrees, which is higher than the New Zealand average of nine percent for male and seven percent for female (Thomson, 1999).

### *Filipino Culture and Community*

The Filipino population in New Zealand has developed a distinct community and culture based on their roots in their communities of origins. As of 2006, around 40 Filipino associations and organizations (FAOs) and two Filipino umbrella associations have been formed in New Zealand. They are spread both in the Northland and Southland of the country, mainly in Wellington and in Auckland, where most Filipinos reside. Every year, Filipinos all over New Zealand gather together and celebrate the Filipino Annual Reunion, which is held to coincide with the Labour Weekend national holiday in New Zealand. This gathering was spearheaded by a Filipino umbrella organization 21 years ago. Members of the Filipino umbrella organization bid to host this event. In 2008, the reunion will be held in Waikato City courtesy of the Waikato Filipino Association. It is a three-day event of Filipino food, culture, sports and beauty pageants and a celebration of the Filipino spirit of *bayanihan*, expressed in the support given by the Filipino community to the organizer of the event each year.

The celebration of faith also provides occasions for Filipinos to gather in various churches and venues that are converted to houses of worship. In Filipino-Christian congregations all over New Zealand, Filipinos meet on a regular basis at least once a week. Filipino Catholics usually celebrate Sunday masses at the Good Shepherd Parish in Balmoral and once a month at the St. Joseph Parish in Takapuna, both based in Auckland. Filipino masses are also held on the first and third Sunday every month in the Wellington area, though the venues vary most of the time. There is no Filipino parish church in Wellington, so they celebrate mass in different halls in the area.

The commemoration of the Philippine Independence Day, held every 12<sup>th</sup> of June, is another major event. The celebration includes the



laying of a wreath at the Rizal shrine in Avondale, Auckland and the raising of the Filipino flag at the Auckland Harbour Bridge. Filipinos also celebrate this event by participating in the holy mass, cultural nights and other recreational activities. Although done separately by different FAOs, the celebration is a significant step towards reaffirming the national identity of Filipino migrants in a foreign land. It is also a showcase of Filipinos' enthusiasm for sports and the performing arts. They are keen to attend and enjoy concerts and dance parties for fundraising activities. Private events such as weddings, baptisms and birthdays are also well-attended. These various gatherings serve to bind Filipinos into a vibrant community that contributes to the mosaic of the culture and identity of Filipinos in New Zealand.

### **Filipino Transmigrants: Living in New Zealand, Giving to the Philippines**

Although the Filipino community in New Zealand is fairly small, it is not far behind other Filipino communities when it comes to supporting their communities of origin through diaspora philanthropy. According to Opiniano (2002:3), diaspora philanthropy, also called "diaspora giving," "migrant philanthropy" or "transnational philanthropy," is "the process by which migrants or immigrants abroad, in forging and sustaining their social relations with their origin societies, allocate a certain portion of their remittances to fund development projects in their home country." Diaspora philanthropy has two dimensions – economic and cultural. The economic dimension is manifested in donations, especially the remittances sent by migrants to support development projects in their home communities. The social dimension is suggested by the use of social capital – *bayanihan* in the specific context of Filipinos – in identifying, facilitating, implementing, monitoring and evaluating development work in the home country. In many cases, migrants' economic contributions trigger social relations: "Upon receipt of the donations, the social group in the origin country – families, local groups, among others—not only use the donations, but forge and sustain transnational links with the migrant donors" (Opiniano, 2006a:2). Thus, in the process, diaspora philanthropy builds transnational relations between migrants abroad and their compatriots in the home country.

As noted by Gutierrez (2007), migration-savvy Filipinos are examples of transmigrants, i.e., they tend to adapt to the culture of the re-

ceiving society while at the same time maintaining links with the origin society. According to him, recent studies on migration “reveal that immigrants who change passports to live permanently in host countries do not necessarily cut their ties with their country of origin” (Gutierrez, 2007:398). These continuing ties are indicated by the remittances sent to their families back home, visits to the home country for business and holidays, and diaspora philanthropy.

Diaspora philanthropy by Filipino transmigrants in New Zealand may not be widely documented, but it is alive and well. The Filipino community, being closely-knit, is aware of the philanthropic activities of individuals, groups or organizations aimed at supporting development projects in the Philippines (Macahilig, 2006). Church-based organizations and hometown associations are very active in this endeavor. There are also many well-meaning individuals who quietly support various initiatives in the Philippines (Alayon, 2006).

Resources are pooled in different ways. Asking money directly from networks of friends, town mates and fellow Filipinos is common, especially when there is a calamity back home or when someone from the hometown needs expensive medical attention. The response to emergencies such as these is often immediate. Some resort to conventional ways of fundraising, such as organizing beauty pageants, dance festivals, sports tournaments, garage sales, bingo socials and raffle draws. Others approach foundations, non-government organizations and corporations, asking them to directly support some projects in the Philippines. Thanks to communications technology, Filipinos in New Zealand can easily connect with former classmates, friends or town mates in the Philippines. Alumni associations use the Internet to locate their graduates and ask them to support alumni projects, such as sponsoring a scholar, financing a classroom or providing educational materials.

Not all resources sent home are financial. Some of the donations are in kind, such as canned goods, clothes and materials collected for relief operations following a calamity. Some are toys and bric-a-brac given to kindergarten pupils. Computers, school supplies, books, bags, pencils, and uniforms are given to scholar students in the Philippines. Other donations include supplements, such as milk powder, cereals and sugar, mostly to support feeding programs in the Philippines.

Filipino transmigrants in New Zealand support development initiatives in the Philippines for various reasons. A major motivation is the desire to maintain links with their families and communities in the

Philippines. They may be away, but through the donations they send through their families – such as donations to fundraising activities for infrastructure development – they maintain some “presence” in the community. Their contribution is a source of pride for the family and contributes to the family’s prestige in the community.

Another factor that drives Filipinos to support projects in the Philippines may be explained by their sense of belonging and nostalgia for their communities of origin. Studies by Opiniano (2006b) and Garchitorena (2007) about Filipino diaspora philanthropy revealed that Filipinos abroad feel for their country and want to contribute to the development of their communities of origin. A case in point is the group of Filipinos from the Cordillera region who have done well in New Zealand and have not forgotten the needs of their home region. Together with other Cordillerans living outside the Philippines, they supported a solar electrification project in several communities, fully aware of how essential electricity is in far-flung communities. Other examples are projects such as the construction of playgrounds, libraries or *barangay* plazas. The names of the donors usually appear in these projects.

Religion also plays an important role in migrant giving. When a calamity strikes the Philippines, church-based groups immediately respond to the needs of distressed victims. Their compassion is expressed through cash donations and container vans full of goods sent to relief operations in affected areas. In ordinary times, religious groups raise funds to build orphanages, support feeding programs and rebuild communities for slum dwellers and displaced Filipinos caught in the conflict between the government, insurgents and separatist groups in the South. Aware of the problems in Philippine society, Filipinos in New Zealand have sponsored four New Zealand villages in the Philippines under the *Gawad Kalinga* program (this is discussed below).

Finally, there is a sense of duty in helping the country develop. The experience of living in New Zealand and witnessing this country’s achievements in development and governance has inspired Filipino migrants to help the Philippines reach the same goals. Sharing good practices and engaging in civic activism back home are some of the avenues for action.

Like other Filipino communities elsewhere, the small Filipino community in New Zealand has also been affected by division and conflict. Though credible organizers and organizations launch awareness campaigns and fund raising activities for community development work in the Philippines, many Filipinos do not attend these ac-

tivities because they do not want to mingle with their fellow Filipinos. For example, when Paglaum Trust did a fund raising activity in 2006 to raise funds for the orphaned children of Guinsaungon, Southern Leyte mudslide, more Kiwis (New Zealanders) and other nationalities attended than Filipinos themselves. Regionalism also plays a role in decisions about projects. Filipinos from different regions tend to form different regional organizations instead of coming together as one organization. The idea of having a Sto. Nino Shrine and a Filipino house in Auckland has been around for quite some time, but the realization of this is very slow due to the perception that it is an idea by and for Catholics and Filipinos coming from Cebu. Thus, Christians and other Filipinos coming from Luzon generally do not want to support the project. Moreover, since many Filipinos came to New Zealand in search of economic opportunities, most of them are focused on attending to the needs of their families. The focus on the family (including the extended family) can be a barrier in supporting development projects.

## **Development Projects Supported By New Zealand-based Filipinos**

### *Education*

Lucen Norman is a migrant who originated from a poor family in Combado, Maasin, Southern Leyte. Determined to have a university degree, she enrolled in a high school run by nuns, who looked after her educational expenses until she finished college. She then pursued post-graduate studies courtesy of the Bishop of Maasin. After her studies, she went back home to Maasin and worked for some time as Religious Education Coordinator and Theology instructor at St. Joseph College. She later moved to Manila and worked at different jobs. While in Manila, she responded to an advertisement in *Manila Bulletin* for a pen pal just for a laugh. After two years of correspondence with Clive, her New Zealand-based pen pal, they got married. She packed her bags and moved to New Zealand 22 years ago.

Lucen never forgot her roots in Southern Leyte, and Clive fully supported her endeavors. During the past 22 years together, the couple have shared their blessings with the people in Lucen's hometown. According to her, "These are in the forms of door to door boxes that we pack and send every year in time for Christmas" (Norman, 2007).

Believing in the value of education, Lucen invested in the education of her nephews and nieces. She willingly shared her hard earned money for their education. According to her, "I firmly believed that through hard work, education and determination, [they] would help free themselves from poverty as I have through the generosity of the Benedictine Sisters and others who have helped me" (Norman, 2007). As of 2007, her scholarship program counts a teacher, accountant, electrician, and computer technician, civil servant in the municipal government, ICT professor and a businesswoman in its roster of graduates.

To honor the Benedictine Sisters and to give back to her alma mater, Lucen has started a scholarship program for college students who want to study at St. Joseph College on a four-year course. Like the Benedictine Sisters who supported her, she looked after their matriculation and tuition fees with the supervision of her good friend, who is also the school's Dean of Commerce. To date, her scholarship program has produced a *summa cum laude* accounting graduate who is doing well in her job. Her three other scholars are currently doing well in their studies. Lucen Norman is supporting these scholars without asking any requirements from the beneficiaries. All they know is her name and that she is a Filipina living in New Zealand.

## *Health*

Tapaz is a third class municipality located at the border of Iloilo and Capiz, Philippines. It is a poor municipality with a rugged terrain. Some of its 58 barangays are accessible only by helicopter and others could be reached by walking for days traversing rivers and narrow pathways. Due to its terrain, life is hard, economic productivity is very low and the accessibility of basic services is difficult. The local government cannot fully serve its constituents due to the limited financial support from the provincial and the national governments.

Aware of the basic needs of the constituents of Tapaz, professional and civic-minded Tapaznons based in Manila established the Tapaznon Foundation Incorporated (TFI) on 29 July 2001. The founding members, some 160 Manila-based Tapaznons who attended the first general assembly, believe that concerted action by many individuals working together can help bring change (TFI, 2006). The original intention was to help Tapaznons physically present in Tapaz, Capiz. But later on the foundation decided it could serve Tapaznons in need even in Metro Manila and neighboring provinces and cities.

For the past five years (2002-2007), TFI has been a great help to the Municipality of Tapaz and Tapaznons in Manila by way of offering scholarship programs, livelihood assistance, and medical services. The scholarship program has produced three college graduates who are now working at good jobs. Nine scholars are still studying in college as of 2007. The livelihood program has encountered some problems, mainly due to the low return on investments and the difficulty of collecting money from the members. The travelling expense incurred in collecting money as payment for the loan from the foundation is bigger than the amount to be collected, thus, the foundation decided to stop its micro finance program for a while.

The foundation considers its medical missions as its greatest achievement. Eight medical missions were successfully held in Tapaz, while four were conducted in Manila. The medical missions from September 2001 up to July 2006 offered free surgical, medical, and dental services, as well as free eye operations. The foundation built its success on medical missions and refocused its activities on eye care services for two reasons. First, cataract, glaucoma and other eye deficiencies are alarming in the Philippines and if not treated early, they can lead to blindness; and second, blindness deprives people of their capacity to be productive and independent. For the time being, the foundation is proceeding with one medical mission at a time. The TFI was adept at drawing support from partners in the implementation of its medical missions: pharmaceutical companies, medical professionals, local government units and volunteers. After three successful medical missions carried out between September 2001 and September 2002, the TFI realized that it could better serve Tapaznons by focusing on medical missions and making other activities as secondary programs of the Foundation.

In its search for partners and supporters, the TFI also attempted to go beyond the Philippines. Florita Esguerra, President of TFI, has been to New Zealand on three occasions, to visit her three daughters who migrated there and to secure the support of the Filipino community for the Foundation's development work in the Philippines. She sought the assistance of the Philippine Embassy in Wellington; she asked the support of the ambassador in identifying Filipino organizations and hometown associations in New Zealand whom he thinks could support the development work of the foundation in the Philippines. Having secured the support of the Embassy, Prof. Esguerra started attending social Filipino functions and met a lot of Filipino leaders. During her last

visit to New Zealand in December 2007, she was able to draw support from interested individuals and some Filipino businessmen. Considerable financial support poured into the coffers of the foundation. Prof. Esguerra has yet to harness possible partnerships with Filipino hometown associations and Filipinos coming from Capiz to get much needed support from them and from the wider community. The foundation agreed that "all funds received from New Zealand-based donors would be allocated primarily for the treatment of eye diseases at an expanded coverage for all..." (Esguerra, 2008:7).

### *Housing*

*Gawad Kalinga* (GK) is a project of the Couples for Christ (CFC), a Catholic-based organization that builds homes and communities for underprivileged Filipinos. GK 777 was launched in 2003, with a goal to build 700,000 houses in 7,000 villages in seven years. In a span of more than four years, it has successfully established 1,500 communities all over the Philippines. More than addressing problems of housing, landlessness, lack of educational opportunities, precarious incomes and lack of access to health services, GK villages aspire to build and strengthen a sense of community (Alayon, 2008:1). The GK experience of community development has become a template for development in countries like Cambodia, Papua New Guinea, East Timor and Indonesia (Alayon, 2008:1).

Like other overseas Filipinos, the Filipinos in New Zealand also embraced the ideas of GK. When GK was introduced in New Zealand in 2003, Filipinos from all walks of life supported the project. One Filipino supporter, a room attendant in a hotel, gave all the tips she saved for the month. Usually, she saves her tips and sends them to her family in the Philippines. Another Filipino supporter pledged 50 houses, including one that was worth NZ\$1,600. Over the years, Filipinos in New Zealand, donated or raised funds to support the GK programs.

There are four GK New Zealand villages in the Philippines, located in Bulacan, Quezon City, Davao del Norte and Sorsogon. They are called GK New Zealand villages to honor the place and the people of New Zealand, including the Filipinos living there, for the financial support they have contributed to GK village projects all over the Philippines.

The first GK New Zealand village in Towerville, San Jose Del Monte City, Bulacan was established in 2004, with 52 houses worth

P2.1 million. As of November 2007, the GK New Zealand village had already completed 48 houses with four more houses to go. The village is located on a 22-hectare resettlement area in Towerville provided by the provincial government of Bulacan. The beneficiaries are poor Filipinos – most of them used to be informal settlers in Pasay, Taguig, Pateros, and Makati (Alayon, 2007:6). The village has its own day care center shared with another GK village and a multipurpose hall.

The second GK New Zealand village is located in Barangay Bagbag, Quirino Highway, Novaliches, Quezon City. It is a prime lot in Quezon City covering 8,040 square meters, worth a total of P24 million. The whole compound already has 179 houses and GK-ANCOP New Zealand has promised to build 60 more. As of November 2007, GK-ANCOP New Zealand had already built 27 GK houses coupled with the construction of a concrete road, a legal water system and electrical power connection.

The third GK New Zealand village in Nabunturan, Davao del Norte is a privately donated land that spans an area of 5,000 square meters and can accommodate 42 households or about 200 families. As of April 2007, five houses were already completed and an additional seven houses were under construction. These houses were part of the 30 houses promised and remitted to Nabunturan by the GK-ANCOP New Zealand.

The last New Zealand village is the GK New Zealand Pilar village. As of April 2007, GK-ANCOP New Zealand has already remitted the money for the construction of 20 houses in Pilar, Sorsogon. The lot of 20,000 square meters, where the houses will be constructed, was donated by a known philanthropist in the Sorsogon City (Manalo, 2007).

Tony Meloto, founder and advocate of GK, had this to say about the generosity of the Filipinos in New Zealand: "With its small size both in geography and demography as well as the number of Filipinos living there, I was humbled by the response. Now, we have already four New Zealand villages and Filipinos and partners in New Zealand are proactively working with us not only in terms of financial support but [with] time and talent as well" (Interview with Tony Meloto, 9 May 2007). He always cites the GK NZ Village when speaking on the subject of resource mobilization and commitment.

The hearts of Filipinos and New Zealanders are always there in the project. The promise is so rich that they provide hope for a better life and opportunities to their recipient communities in



the Philippines. I am inviting them to visit the GK NZ Village to see for themselves how their support touched and changed life for the better (Interview with Tony Meloto, 9 May 2007).

The three cases described above suggest the importance of social networks. Lucen Norman's scholarship program was borne out of giving something back to the school that nurtured her. Though she lives in New Zealand, the scholarship program is implemented and managed by her family members and school personnel. The links of the TFI with New Zealand Filipinos were facilitated by personal contacts as well. The foundation's president, Prof. Esguerra, have children in New Zealand. She makes use of her visits with her children to rally support for increased access to eye care in the Philippines when she attends parties and gatherings. In the process, she has earned supporters, who have become regular sponsors to the foundation's medical missions. She is moving into discussions with Filipino hometown associations and organizations, especially those from her region, to partner with for future medical missions. In the case of the GK program, the important factors are the shared vision for community development and the credibility of the organization.

## Conclusion

Filipinos in New Zealand are keen to maintain ties with the Philippines as manifested by their support to local development projects. Transnational connections ranging from family ties to academic connections to hometown linkages initiate, motivate or sustain their desire to contribute to development-oriented projects. Their willingness to support programs and to uplift disadvantaged Filipinos is strengthened when these programs are run by credible individuals and organizations. The prospects to involve Filipinos in New Zealand and the larger Filipino diaspora in promoting and supporting development projects in the Philippines are promising. Hopefully, these can be matched by equally promising collaborations and partnerships with Philippines-based institutions.

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## **Making a Difference**

### **Bansaleños Give Back**

Leila Rispens-Noel  
Association of Bansaleños Worldwide

Bansalan is a second class municipality located some 72 kilometers south of Davao City. The most recent statistics pegged the population at 51,781 with 11,073 households. Aside from the stay-at-home population, Bansalan also has its share of residents who have moved out of the community. There are no data on the exact number of Bansaleños who migrated and the amount of remittances they send back home. Thus, it is not possible to measure the impact of their contributions to the development of Bansalan. Recently, Bansaleños from different parts of the globe and the Philippines formed the Association of Bansaleños Worldwide (ABW) to give something back to the hometown that nurtured them in their formative years.

The ABW is a virtual community composed of former residents of Bansalan, Davao del Sur now living in other countries or in other parts of the Philippines. ABW started in cyberspace with a simple website (<http://www.bansalan.com>), created by Edwin Bibera, a Bansaleño based in Fullerton, California. Little did he know that the site, which was created as an Internet class project, would attract the attention of Bansaleños worldwide. Word-of-mouth about the website's existence triggered a snowball effect, connecting Bansaleños based in the United

States, Canada, Europe, Australia and Asia. Classmates were reconnected, friends were reacquainted, and Bansaleños who used to be strangers to each other were introduced. These connections paved the way to rekindled kinship and camaraderie, which materialized into various reunions held in the US and Europe.

## **The Challenge of Community Building**

Out of this loosely-knit bunch of Bansaleños scattered all over the world, the ABW was born. Through e-mail exchanges, they mapped out their mission and vision, formulated strategies and activities, and set the association's vision, hopes, and dreams for a better Bansalan. The ABW aims to unite Bansaleños around the world and support the advancement of the quality of lives of the people of Bansalan by initiating and supporting sustainable projects intended to spur a vibrant economy, to promote a healthy environment and ultimately, to foster social equity.

The ABW members have different professional backgrounds and are engaged in different types of jobs. It has about ninety members who presently reside overseas and in different cities in the Philippines (<http://www.bansalan.com/members.htm>). The Board is composed of six people and 10 others representing the geographical locations of the members – Europe, USA (which was further subdivided into the East Coast, West Coast, Midwest and Southwest), Canada, Australia, Asia and the Philippines. In the process of planning and implementing projects, they were able to discover untapped talents, hobbies and interests. They found out that they have excellent fund raisers and event organizers in their midst. All these skills proved to be useful in their campaigns.

Being a virtual community, coordinating with members residing in four continents is not easy, especially when projects are implemented from a distance. Face-to-face meetings are not possible; therefore all communications are done through e-mail messages. The elected officers, acting as a virtual team, are based in different countries and in different time zones. It was extremely difficult for them to decide where to register ABW as a foundation or a non-governmental organization. One solution was to add a discussion forum in the ABW website, where members can post messages and interact with each other. The group also realized that there was a need to have a local counterpart,

which will manage their various projects and to have its own bank account where they can send their contributions to.

Faced with these constraints, ABW International decided in 2006 to register the ABW Bansalan Chapter with the Philippine Securities and Exchange Commission. The local chapter, thus, acts as the implementing arm of ABW International. The officers of ABW Bansalan identify and recommend poor but deserving pupils who will receive the educational fund, monitor the progress of the children, and send a report at every end of the school year to ABW International. After the report has been approved by the board, it is posted on the website to inform the general membership on how the funds were allocated.

The website and the Internet are extremely important for ABW to maintain close contacts with the members and to assume accountability for the projects. They do not only discuss projects, but they also share news they receive from home and announce social events and life cycle transitions, such as births, weddings and deaths of family members. The website became the hub where transnational networks like ABW bridge distances to generate new ideas, support each other and strengthen their ties.

## Helping the Local Economy

Long before the ABW launched its various "Give Back Campaigns," several members were already involved in various family and community projects. Through regular e-mail contacts, more stories about examples of migrant giving were gathered.

Those working abroad have been known to use a portion of their remittances to improve the economic condition of their families. Thanks to the "start-up capital" from relatives abroad, new small businesses (restaurants, photo services, small printing shops, bakeries, grocery stores, and transportations, among others) have been set up, which stimulated local economic activities and created jobs in the town. A case in point is a small enclave in Bansalan, where a row of well-appointed houses was built from the money sent to their families by Bansaleños working in Japan. In building the houses, temporary jobs were created for local carpenters and laborers.

Beyond helping their families, there are also many examples of Bansaleños contributing to uplift the well-being of their townmates. Member Jean Metilla from Germany built from her own money a kindergarten school for poor children located in a piece of land she do-

nated. She sends money regularly to pay for the salaries of the teachers and for the maintenance of the school. The pupils attend classes without paying any school fees. She also spearheads the ABW annual free clinic consultations and distributes medicines which she and her cousin Cherfield Metilla (now living in Australia) collect from various donors. Jean is also an investor. She just opened a store in Bansalan. Others like the Niques (Jane, Ann, and Jeffrey) and Florence Dacanay, all based in New York, pooled their resources together to support 20 pupils in their own *barangay* (village). Tune Sonza Inumerable made a yearly pledge to help the education of 15 pupils in the *barangay* where she came from. Migrants have also contributed to some renovation projects of community facilities. For instance, the list of donors who contributed to the renovation of the church in the capital includes many names of families who have relatives overseas.

The aforementioned examples suggest that Bansaleños are not different from African, Latino and other Asian migrants who form hometown associations to help their communities of origin. Although they have left, they are still very much part of the community. They also want to share the blessings they enjoy with those whom they left behind. Perhaps, some unconsciously give back because they might return to the place one day. Whatever their motives, Bansaleños are making a difference but not without reason. The formation of ABW was instrumental in moving towards more collective giving and more concerted efforts in supporting community projects.

The first ABW project was the "Give Back Campaign: Renovate ABC Gym Project" which was initiated in 2006. In less than a month, the group raised PHP155,212.00, which was almost eight times more than the amount originally proposed. The members agreed to embark on this project because the ABC Gym has a sentimental value for them. Before the project was implemented, ABW sought the cooperation of the municipal government unit by asking them to provide the labor while ABW members would provide the materials needed. A memorandum of agreement was signed and the project was successfully implemented.

Aside from renovating the gym, the ABW also decided to conduct an annual fund-raising drive to support the education of poor but deserving children in Bansalan. In 2007, its "Give Back: Literacy Project" raised almost PHP200,000, which supported the education of 73 elementary school pupils for school year 2007-2008. The ABW also succeeded in partnering with Damayan, a Filipino migrant organization



based in the Netherlands, and together they raised funds for the literacy project which enabled them to secure matching funds from Wilde Ganzen, a Dutch development agency. Wilde Ganzen (Wild Geese Foundation) gives premium equivalent to 70 percent of the money raised by ABW after deducting nine per cent of the gross amount raised as administrative cost. This program started in 2007. In school year 2008-2009, the ABW was able to raise Euro 4,964.34, including the 70 per cent premium from the Wilde Ganzen.

## Some Milestones and Future Plans

In December 2007, ABW organized its first Grand Reunion attended by about 50 Bansaleños and their families and friends from various countries. Aside from the reunion, they also organized free medical and dental clinics, distributed books, conducted *ikebana* and *bonsai* workshops, and sponsored Cebuano Christmas carols contests (to revive the traditional practice in Bansalan).

To raise funds for the literacy project, members sold raffle tickets, with the prizes donated by the ABW members. Suggestions on what activities would be conducted during the reunion were discussed through e-mail exchanges, but the actual work was only done two weeks before the event. Despite the short preparation, all of the activities were successfully conducted. This positive experience encouraged and motivated ABW members to continue with their work.

The reunion and other activities were fully supported by the town mayor, the members of *Sangguniang Panglungsod* (City Advisory Council), and the local volunteers. Edwin Reyes, the new town mayor, was quick to realize the vast potentials of Bansaleños in supporting the development of the town. He presented the development plan of Bansalan which includes the development and promotion of eco-tourism and marketing of locally-based products like organic coconut sugar. He believes that the Bansaleños can play an important role particularly in promoting Bansalan as an eco-tourism destination and as a center for marketing products. He also noted that during the brief period in December, revenues in the town noticeably increased and this contributed hugely to the town's economy.

Mayor Reyes encouraged the ABW to support the plans of the town and the ABW agreed to help spur development in the community. However, the ABW expects the local government will take the lead and show commitment to realize the goals. The ABW members are

willing to support but they still believe that it is the primary task of the local government to initiate any development plan. Gradually, the ABW is starting to influence policy in the town, though not yet in a systematic manner nor targeting larger issues. Political discussions, such as during election time, are more limited to knowing who the candidates are, but campaigning openly for particular candidates has yet to happen. Bansalan is a small town and everybody knows everyone. The ABW members tend to be on the neutral side. Whether this position will change in due time remains to be seen.

Compared to Mexican hometown associations like the *Federacion Zacatecanos del Sur de California*, the ABW is relatively new. Due to the diverse locations of its members and limitations to conduct face-to-face meetings, organizational issues and concerns are not thoroughly and openly discussed. Deciding which project to support is not easy either and this often leads to choosing the easiest project to manage, like the financial literacy project. Embarking on larger projects such as income-generating projects are more complex and still need confidence-building among the members. There is also a lack of available responsible and qualified people on the ground who can manage these projects. Since all members of the ABW – both international and local – work on a voluntary basis, the idea of launching larger productive projects is not easy and will not be feasible on a short term basis.

However, it is possible to encourage individual enterprising Bansaleños to invest in Bansalan and to let these investments be managed by their families or other reliable and qualified people. Some have actually tried to support their families by financing livelihood activities, but not all became successful. The lack of skills and knowledge in managing business is the main cause of the failure. For instance, the ABW members have already discussed the possibility of pooling their resources to invest in Bansalan by building a lodging house since there is no hotel in the area, but it is difficult to reach a consensus. They also cannot find people who are qualified and capable to manage the project on their behalf. Moreover, the lodging house project is only viable if the identified eco-tourism destination is already developed and infrastructures are in place to ensure the success of the project. The mayor of the town is looking into opening a new trail to Mt. Apo - Bansalan is located at the rolling foothills of the country's highest peak.

The questions that the association is now grappling with touch on the challenges of how local, regional and national governments, as well as development organizations can help create an enabling environment

for migrants and hometown associations to maximize the benefits of their remittances and philanthropic activities.

## **Harnessing the Development Potentials of Hometown Associations**

Like millions of Filipinos in diaspora, Bansaleños also regularly send money to their families. As of July 2008, inward remittance flows to developing countries in 2007 were estimated at US\$251 billion (Ratha et al., 2008). The *Bangko Sentral ng Pilipinas* also reported that in 2007, remittances sent home by overseas Filipinos through formal channels reached US\$14.4 billion (*Bangko Sentral ng Pilipinas*, 2008). This actual amount is believed to be larger, considering remittances sent through informal channels. Migrant remittances are now considered as a new form of development aid and the lifeline of millions of poor families, most of them living in the rural areas. However, despite the enormous potentials for development, remittances should not be taken as substitute to development aid.

Critics argue that 80-90 percent of the money sent by migrants to their families is spent on consumption such as food, clothing, and housing (e.g., IFAD, 2007:7); therefore, they are seen as unproductive. Furthermore, remittances do not contribute to the economy at the macro level. Critics also say that remittances hardly contribute to sustainable development. Again, this conclusion is based on a myopic analysis. Remittances are small amounts of money ranging from US\$200-300 sent by migrants to their families every month. Considering the high costs of commodities, expensive education and the appreciation of the Philippine peso, surely it is not realistic to expect that families will still have money left over for direct large investments and productive activities.

However, since the money is spent on food, clothing, shelter and education, they still contribute to the local and national economy. Food and garment industries thrive because migrants' families continue to buy their products. Building houses creates jobs for carpenters and provide business for construction companies. Schools continue to operate because children of overseas Filipinos can go to school.

These critics fail to see beyond the statistics to appreciate the considerable impact of remittances in improving the quality of life of the poor. There is also evidence to show that aside from direct financial

support to their families, migrants also send remittances to support projects that fall into four main categories: charity, infrastructure, human development and investment.

In my view, remittances have a direct impact on the lives of Filipino families. For example, if the eight million overseas Filipinos were to use part of their remittances to send children to school, this translates to 8 million children attending school without relying on the government or development aid. Even if we cut the figure into half, at least 4 million children or young people are able to go to school in the Philippines with the help of remittances. Migrants' families spend a large chunk of the money they receive for food. Millions of families including those in rural areas have food on the table because of remittances. These examples show that migration can contribute to the development of their countries of origin and in achieving the targets of Millennium Development Goals.

To maximize the benefits of remittances and to involve hometown associations in development, there is a need to reduce the high cost of remittance transfer, promote financial literacy, link remittances with microfinance, promote the capacity building of hometown associations, and encourage more productive or developmental uses of remittances such as partnering with microfinance institutions. Likewise, hometown associations must work in tandem with international organizations, governments and the private sector to increase the worth value of their development projects, and forge strategic trade alliances. These are recommendations which policy makers in the Philippines should seriously address with sound policy interventions.

Capturing a share of remittances for development needs transparent and coherent policies, relevant enabling environment, and full recognition and appreciation of the positive contributions of migrants to the development of their countries of origin. Non-government organizations, other development-oriented institutions and the Philippine government should act as environment enablers and should broaden their interest in emigrants beyond remittances by tapping the skills and knowledge of migrants in the field of development and treating them as equal partners. Donor organizations should consider providing seed money, technological assistance and logistical support to build and strengthen diaspora networks that have strong developmental potentials. Equally important is addressing the social costs of migration.

There is a need for hometown associations like the ABW to translate their genuine concern to strategic plans. Capacity building, aware-

ness raising, financial literacy and financial inclusion of migrants and their families are needed. For the time being, raising the organizational capacities to a higher level will be a great challenge. How can the organization be strengthened with membership scattered in different continents and the only medium of communication is through the Internet?

Finally, I would like to conclude that looking back to one's roots runs deep among overseas Filipinos. Bibera, who maintains the website of ABW during his free time, wrote: "So many memories and some of them pass to oblivion. But in retrospect, I didn't really regret living in Bansalan. In fact, I love it there. Like a tree which roots are firmly grounded in that old town, my travels were like branching out to reach new heights: to see more of the world. But it seems like I never left at all. I am always home." It is a sentiment that is shared by other Bansaños; more importantly, it is a sentiment that has motivated them to give back. Some questions, however, are worth considering, especially if we think over the long term. How do we transform (and sustain) nostalgic sentiments into strategic development plans? How do we transform dreams into concrete actions? ABW has a long way to go in understanding that, in order to contribute to the development of their hometown, they need to broaden their development goals and access collaborative support from other stakeholders.

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# **International Migration and Development in Mexico**

## **A Critical Assessment**

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### **Introduction**

Led by the World Bank and the Inter-American Development Bank (IDB), some international organizations have been pursuing an international political agenda in the areas of migration and development. They posit that remittances sent home by migrants can promote local, regional and national development in the countries of origin. By extension, remittances are seen as an indispensable source of foreign exchange that provides macroeconomic stability and alleviates the ravages caused by insidious problems such as poverty. This view is supported by the growing importance of remittances as a source of foreign exchange and subsistence income for many households in underdeveloped countries. The United Nations Development Program has estimated that 500 million people (eight percent of the world's population) receive remittances (UNDP, 2007). According to World Bank figures, the estimated remittances sent home by emigrants from underdeveloped countries rose from US\$116 billion in 2002 to US\$251 billion in

2007 (Ratha et al., 2008). If unrecorded flows through informal channels are considered, this figure may increase recorded flows by 50 percent or more (World Bank, 2006). Taking unrecorded flows into account, the overall amount of remittances surpassed foreign direct investment flows and more than doubled official aid received by Third World countries. In many cases, remittances have become the largest and less volatile source of foreign exchange earnings.

However, in a recent document, the World Bank's position vis-à-vis the relationship between remittances and migration has been more cautious (Lapper, 2006). It should be pointed out that the impact of structural adjustment programs, as a key element of the neoliberal policy promoted by the World Bank and the International Monetary Fund, is the root cause of the upsurge in South-North migration and remittances flows. Moreover, far from contributing to the development of migrant-sending countries, structural adjustment programs have reinforced the dynamics of underdevelopment.

The great paradox of the migration-development agenda is that it leaves the principles that underpin neoliberal globalization intact and does not affect the specific way in which neoliberal policies are applied in migrant-sending countries (Delgado Wise and Márquez, 2007; Castles and Delgado Wise, 2008). At most, it offers superficial strategies involving migration but does not address issues of development, such as the need to lower the cost of transferring remittances or promote financial support infrastructures that enable the use of remittances in microprojects (which, ultimately, have very limited impacts in terms of development). It is clear that the policies currently under design are neither coherent nor properly contextualized, and could not serve as part of an alternative development model or a new form of regional economic integration capable of reducing the socioeconomic asymmetries that exist between sending and receiving countries. For that matter, they would also fail to contain – or at least reduce – the current and burgeoning migratory flows.

The importance of Mexican migration flow to the United States and the resulting remittances are well known, as Mexico has become the world's major migrant exporter. After the country's economic growth plummeted during the past three decades, this exodus increased thirteen-fold. Moreover, migration has increased fifteen-fold after the rigid implementation of neoliberal policies starting in the 1980s. Concomitantly, remittance flow has increased exponentially and, in 2006, the overall sum was US\$24,354 billion (IFAD, 2007). This placed Mexico



right behind India which, at US\$24,508 billion, is the world's major remittance receiver. The availability of cheap Mexican labor has been developed as part of a "labor export-led model" (Delgado Wise and Márquez, 2005) and has played an important role in different areas of the U.S. economic restructuring, including the assembly and manufacture industries and the state of labor migration as a whole. As a source of remittances, the Mexican workforce also contributes to Mexico's precarious socioeconomic stability on both the macro and microeconomic levels. Accordingly, the neoliberal Mexican government has endorsed a purported migration and development policy—a bundle of incoherent and decontextualized programs that do not correctly address the multiple and serious problems involving local, regional and national development (Delgado Wise and Márquez, 2005).

This chapter analyses the role played by Mexican migrants' remittances in the country's neoliberal macroeconomic stability, as well as their impact on the social subsistence of areas of emigration from the perspective of a political economy of development. This involves an examination of the discourse espoused by international organizations, which argue that remittances are a tool for development, and an assessment of a remittance-based development model. Even though the latter is not unique, it is certainly the most regressive among existing models.

## **The Relationship between Development and Migration: A Brief Theoretical Overview**

Despite the boom in migration and development research, there is a clear dissociation between theories of development and theories of migration. This results in extremely restricted studies that do not capture the context within which migration—and the fundamental connections involving processes of global, national, regional or local development—are inscribed. It is important to point out that conceptual and theoretical research has been lagging behind the discourse and migration and development policies promoted by international organizations. Consequently, academic debate has been largely limited to a conceptual reproduction of said discourse or, at best, establishing critical distance from it.

The theory and practice of development underwent a historical change after World War II, when the interests of hegemonic nations

(mainly the United States) took precedence. During the 1950s and in the context of the Cold War, the concept of modernization was employed on behalf of an imperialist project. In Latin America, however, the asymmetrical relationship between development and underdevelopment were amply explored during this period (the structuralism and theories of dependency of the Economic Commission for Latin America and the Caribbean or ECLAC). With the imposition of neoliberalism toward the end of the 1970s and early 1980s, concerns about development became secondary and alternative approaches were politically blocked as socioeconomic dynamics became subject to market regulation. The emergence of this distinct discourse hampered theoretical reflection on development and its political practice, giving way to a genuine counterrevolution. Faced with the deepening asymmetries between developed and underdeveloped countries, the increase of social inequalities amongst national populaces and a diversity of social conflicts, the promoters of neoliberal globalization have resumed the development discourse. Far from proposing structural and institutional changes, however, the adoption of a development discourse simply provides neoliberalism with a "human face."

On the one hand, we have seen a series of attempts to reconceptualize development from an interdisciplinary perspective and, in cases such as community-based approaches, reappraise the problems of underdeveloped nations. These assorted and incipient efforts are highly eclectic (Parpart and Veltmeyer, 2004) and often end up subsumed by the neoliberal mold. On the other hand, even though there is a nominal consensus regarding the values and goals of development theories (e.g., social welfare, higher quality of life, participation, etc.), little attention has been given to the causes of underdevelopment: how to deal with them, with what resources, who should lead the process, and in what direction to produce social change. In other words, we still need to work on the structural and strategic production of an integral vision that addresses the root causes of the considerable asymmetries among countries and social inequalities that dominate contemporary capitalism.

The most influential migration studies have been undertaken by research centers in developed countries (which, for obvious reasons, are the major immigrant receivers on the planet). These have failed to pay enough attention to the underdeveloped context of the migrant-sending countries, which is one of the reasons for such copious migratory flows. There is yet no theoretical-conceptual framework that takes

into account the point of view and particular interests of underdeveloped countries, which, at this point, are seasoned exporters of cheap qualified and unqualified workforce. Generally speaking, the migratory issue has been analyzed from a decontextualized perspective that tends toward an ethnocentric and individualistic stance that focuses on partial aspects responding to the rationale of methodological nationalism (e.g., salary disparities, the displacement of native workers, illegality and border security). This vision not only distorts reality but also obscures the underlying causes of the problem and potential ways of engaging it; neoclassical economy and nativistic and xenophobic sociological approaches are among some of its representatives. Nativism, in fact, has been a highly popular stance in the political debate of receiving countries.

At the same time, receiving countries have also been the source of the transnationalism theory, which posits that immigrants establish a series of social relations that are constant, permanent, and characterized by cooperation with and reciprocity toward those who remain in the places of origin. By providing a more comprehensive vision of the migratory phenomenon and describing the multiplicity of social practices established by migrants, this theory brings valuable contributions to migration studies. And yet, its attempt to explain migration as part of a configuration of social networks spanning from immigrants' integration into the receiving society and their relationships with their places of origin bypasses a careful analysis of the development issues and processes in a given context. Additional types of research focus on the new destinies of Mexican migration and the recent forms of precarization and labor segmentation in a mainly descriptive manner.

In terms of theoretical diversity, the extant studies on international migration have certainly been prolific; they have also provided us with abundant empirical evidence. This is evident when we compare contrasting paradigms such as historic-structural (primitive accumulation, overpopulation, world-system) with neoclassical theoretical standpoints and other approaches such as *push-pull* (which comprises various analytical perspectives), the new economy, segmented labor market theory, the migration hump (a neo-Malthusian approach associated with a reemergence of modernization theories) and the diverse sociocultural perspectives (social networks, accumulative causation and

transnationalism).<sup>1</sup> However, we can also see how, in most cases, the interpretive strength is hampered by the lack of strong theoretical constructs or the use of partial or isolationist theories that only address limited aspects of the phenomenon. These theories also tend to focus on a given phase of the migratory process (origin, development or consolidation). Consequently, there have been few attempts to cover the ample range of migratory dynamics from a multidimensional and multispatial perspective and inscribe it in the global and regional integration contexts in which it is embedded. Although there are growing attempts to incorporate the micro-, meso- and macro-levels of this phenomenon, the northern perspective (i.e., that belonging to the receiving nations) is still preponderant and the emphasis on development still marginal.

Most of the studies that address the relationship between migration and development tend to focus on the first factor, as if migration were an independent variable and development possibilities were subject to and dependent on the resources and initiatives of migrants. Additionally, they tend to center on local, communitarian or regional aspects and the role played by remittances, providing little insight into issues of development and neglecting the crucial element of macrostructure (Delgado Wise and Márquez, 2006). Generally speaking, these analytical approaches are split into two major, apparently clashing, trends:

1. *The vicious circle.* Migration and development are approached as antithetical concepts, particularly in connection with South–North labor migration. Migration is considered incapable of inducing dynamics of development in places of origin and, instead, is associated with adverse effects such as inflation, productive disarticulation, reduced economic activity, and depopulation, all of which in turn lead to more emigration. These views, however, do not comprise a theoretical model of migration and development; they are diagnoses that describe, from different angles, a dominant historical trend in countries and regions with high levels of migration. This approach has been taken by researchers such as Papademetriou (1998), Delgado Wise (2000), and many others.

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<sup>1</sup> In a recent study, Hein de Hass (2007) undertook a review of migration and development literature. The author questions the limited and equivocal manner in which some of the field's most respected researchers have described and classified the major theories on migration, particularly the "economy of migration" and "accumulative causation."

2. *The virtuous circle*. Mature migratory processes with consolidated social networks and established migrant organizations are believed capable of assisting (albeit in a limited way) local and regional development. This viewpoint engages the limited amount of social development allowed by neoliberal policies in migrant-sending countries and includes a broad range of authors and analytical perspectives (some of them clashing) that emphasize remittances and/or migrant organizations. At the forefront of this trend stand politically influential international agencies interested in promoting post-Washington Consensus neoliberal policy, such as the World Bank (2005) and the Inter-American Development Bank (2000). Secondly, there are those authors who have developed an outlook that is closer to the interests of migrant society and, in an approach that could be called “transnationalism from below,” emphasizes the role of migrant organizations as potential subjects of regional and local development (Moctezuma, 2005; García Zamora, 2005; Guarnizo and Smith, 1998). The theory of the migration hump can be included here, from a neo-Malthusian, modernist viewpoint.

These two analytical variants share one characteristic: they take a unidirectional approach to migration and development, even when one denies the existence of development possibilities and the other considers this a plausible process. Since the second trend has gained far more notoriety, it is important to recount some of the major academic postulates that comprise it in order to assess its achievements and limitations:

1. *Remittances and productive investment*. During the last two decades of the 20<sup>th</sup> century, the flow of Mexican workers to the United States increased notoriously with the implementation of neoliberal policies and the productive restructuring of the U.S. economy. Studies on migration and development (focusing on remittances, investment and development) have undergone two successive periods that have fundamentally influenced an ongoing debate that has yet to provide theoretical or practical solutions to the problem. In the 1980s, Reichert (1981), Stuart and Kearney (1981), Mines (1981) and Wiest (1984) undertook several empirical studies in the

central-west region of Mexico that addressed the role played by migrants' remittances and argued that these had a negative effect in communities of origin, leading to social differentiation, land price inflation, and the accumulation of local resources into the hands of a given few. Subsequently, researchers would posit that these results took a negative view of remittance-based regional development. During the 1990s, the cycle between remittances and productive investment was analyzed (Durand, 1994; Jones, 1995; Durand, Massey and Parrado, 1996; Massey and Parrado, 1998): the results indicated that remittances were invested in agricultural and human capital and that the circulating money had a beneficial multiplying effect in communitarian, municipal and regional economies. Knowing that remittances provide families with subsistence funds and, to a lesser extent, constitute productive investments, some authors (Durand, 1994; Jones, 1995) have argued that these investments have a substantial impact on specific sectors and localities. Massey and Parrado (1998:19) sustain that international migration is a "source of production capital and a dynamic force that promotes entrepreneurial activity, the founding of businesses and economic expansion." As far as the financing of productive investments and social infrastructure is concerned, collective remittances would have to be added to migrants' savings (Goldring, 1996; Smith, 1998; Moctezuma, 2000), particularly in high-migration areas where public and private investment are negligible. Overall, the most interesting aspect of this research is the identification of a new social subject, the collective migrant (Moctezuma, 1999). This viewpoint, however, has been classified as optimistic, just like the prevalent discourse of the 1980s has been characterized as pessimistic. Institutions such as ECLAC (Torres, 2000) and the World Bank (Ratha, 2003) have also been criticized for painting an overly optimistic picture of the phenomenon. There is consensus regarding the fact that a substantial portion of remittances is destined to cover families' basic needs (food, dress, housing, even education and health), but none regarding remittances' potential role as investment sources or capital. In addition, some have criticized migration and development studies that center on remittances (Binford, 2002; Canales and Montiel, 2004).

2. *Transnationalism and development.* Contrary to the assumption that migrants almost invariably cease contact with their place of origin

once they have settled in their country of destination, transnationalism underscores quite the opposite: regardless of their incorporation into the receiving society, migrants tend to maintain strong ties with their society of origin. Authors who support this view argue that (i) migrants maintain bonds to their place of origin in order to deal with racial inequality and other hurdles in the country of destination; (ii) migration is caused by global processes that supersede the nation-state and generates a global civil society that threatens the political monopoly exercised by the state, and (iii) transnationalism gives way to a "third space" that locates migrants between the sending and receiving states and their origin and destination societies. A distinction is made between "transnationalism from above," the environment where corporate, financial and governmental agents move, and "transnationalism from below," the common space occupied by migrants. This approach opens up the possibility of observing, to a degree, the relation between development and migratory processes. In the first case, the subjects of study would be transnational companies such as remittance transfer services, banks and, generally, all businesses that provide merchandise and /or services to migrants and their families. In the second case, the focus would be on the role played by migrants and their families as consumers in their place of origin.

The associations between transnationalism and development have been explored from at least two viewpoints: (i) the economy of migration, where the transnational practices of migrants, such as phone calls, the use of communications technologies, participation in tourism and the nostalgia industry, and remittances have positive effects on local economies (Orozco, 2003) but also create niches that are later appropriated by transnational corporations (Guarnizo, 2003), and (ii) the contribution of migrant organizations to local and regional development processes, particularly their participation in social works that collectively benefit local populations (Delgado Wise, Márquez and Rodríguez, 2004; Portes, Escobar and Walton, 2006; Faist, 2005).

3. *Codevelopment*. Some nations of the European Union (France and, more recently, Italy and Spain) have designed country-specific policies of codevelopment, which are based on migrants' potential development contributions to their places of origin with the support of the developed nations. Codevelopment seeks to (i) promote

productive activities through remittances; (ii) educate migrants and encourage their return to their places of origin; (iii) involve migrants in cooperation projects; (iv) educate and guide potential emigrants in the places of origin; (v) promote the creation of bridges between communities of origin in the South and those who have emigrated to the North; (vi) foster interaction between national governments, local civil and business organizations, universities, educational and cultural centers and migrants, and (vii) improve the living and working conditions of migrants. In practice, codevelopment has been used as a supra-governmental policy to control immigration flow, while less attention has been paid to the promotion of development in countries of migratory origin. The actors involved in the process of codevelopment (governments, migrant organizations and NGOs) do not necessarily see eye to eye on a number of issues, as their interpretations of this concept usually adapt to their particular interests. Additionally, codevelopment is, in actuality, a paradox: less developed European Union countries such as Spain received Union support to increase their national development, to the extent that they went from being emigrant senders to immigrant receivers (Agrela and Dietz, 2005). Moreover, despite the ongoing demand for cheap, imported workforce, the European Union has created a sort of fortress (Bendel, 2005) that seems to close its doors on immigration and uses codevelopment to cover up for immigration regulation policies involving countries that lie outside the Union rather than to actively pursue development in these nations.

4. *Migrant social subjects and local development.* In the particular case of Mexico, Moctezuma (2005) has observed different types of migrants (collective, enterprising, savings-focused and retired) and the roles they play in terms of social and productive investments. García Zamora (2003) has proposed the establishment of a fund for local development and the adoption of a microfinancing system, while Delgado Wise and Rodríguez (2001) have suggested that migrant organizations could promote regional development projects coupled with public policies. From our perspective, the implementation of development alternatives in the local and regional spaces can be seen as a political problem that demands the construction of a new collective social subject – one that involves migrant and non-migrant sectors – and channels the state's participation in a scheme



of participative planning. This, however, requires the creation of public policies that generate spaces where remittance investments can have a significant, multiplying impact on the macroeconomic level. Failure to do this will result in limited migrant contributions.

In short, the field of migration and development studies has yet to establish firm bases and clearly defined boundaries. How, then, should we approach it? First of all, we can conclude that regardless of existing theoretical weaknesses, there is a pragmatic and crucial link between international migration and development. Secondly, proponents of neoliberal globalization are attempting to utilize migrants as a cosmetic concealment of – and the solution to – some of the more severe problems brought about by the very policies this model promotes and seeks to entrench, both regionally and nationally. Thirdly, a vast amount of work currently falls into this field of studies, which is not well delimited. Additionally, the relationship between migration and development lacks a proper theoretical background, and the theories of migration and development are deficient in themselves. There is also a proliferation of incomplete and disjointed studies that tend to be of a descriptive nature and lack a proper contextualization of the neoliberal, globalized framework in which the migratory phenomenon takes place.

## **The Advertising of Remittances as a Tool for Development**

In the past decade, international organizations have rehabilitated the discourse of development under different guises. Their ideas, however, do not contravene the current implementation of neoliberal globalization and, more importantly, seek to complement it. For example, the UN's eight Millennium Development Goals or MDGs (ONU, 2005), which have been adopted by the rest of international organizations, comprise a sort of synthesis of development policies meant for undeveloped countries but without contemplating changes to the neoliberal globalization project. The latter has increased the gap between developed and underdeveloped nations and, aside from international migratory flows, is one of the most conspicuous ongoing global events that have resulted in increasing socioeconomic inequalities.

Individual organizations such as the UN (GCIM/UN), the World Bank and the IDB, as well as the Economic Commission for Latin

America and the Caribbean (ECLAC), the Organization for Economic Co-operation and Development (OECD), the International Organization for Migration (IOM) and the International Labour Organization (ILO), have all developed migration and development policy outlines based on the role of remittances. These frameworks cater to the interests of migrant-receiving countries, favoring the regulation of migratory flows and the introduction of financial capital in the so-called "remittance market." More specifically, the root causes of labor migration (e.g., neoliberal policies) are rendered abstract and ongoing remittance flow is seen as a given. What matters is what can be done with remittances and how can they be introduced into financial circuits. The development problems that characterize migrant-sending countries are portrayed as just another component in the proverbial fight against poverty. Meanwhile, migrants and their families, rather than the state, are made responsible for alleviating underdeveloped and marginal conditions in their places of origin.

The main argument is that within the neoliberal paradigm, remittances can serve as a tool or even a source of development because their multiplying impact provides the poor with a sort of economic power (De Soto, 2001; Orozco, 2003). In order for this to happen, however, remittances must enter the financial system so that their multiplying effect can be amplified through saving and borrowing strategies in a scheme of purported "financial democracy" that includes the participation of banks, cooperatives and microfinanciers in the "remittance market" (Terry and Pedrodv, 2006). These theories continuously fail to address the structural and social conditions that lead to international migration and limit themselves to the introduction of measures that can benefit the remittance market (e.g., a reduction in transaction costs to stimulate remittance flow). This scheme assumes that financial intermediation, propelled by a pursuit of financial gain and lesser transaction costs, will transform migrant workers into local entrepreneurs back in their places of origin (Terry and Pedrodv, 2006).

Aside from their financial functionality, remittances are seen to possess secondary attributes which aid in the promotion of development. They have the potential to finance investments, form human capital, serve as a source of capital for small businesses, buy land or homes, and repair households. At the same time, they are seen as a trustworthy source of currency to finance imports, cover natural disasters and serve as a sort of family insurance.

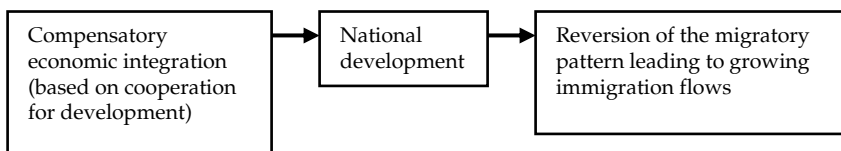
In short, the discourse espoused by international organizations is based on proposals that argue in favor of the beneficial aspects of remittances:

- They constitute a source of currency that surpasses the resources officially destined to development on a global scale (e.g., Official Development Assistance or ODA, and foreign direct investment, or FDI) (Terry and Pedrov, 2006).
- They represent resources that are immediately channeled to medium- and low-income families, which is not the case with other international financial flows (Terry and Pedrov, 2006).
- They diminish currency limitations, such as favorable exchange rates, when taking international loans (ONU, 2006).
- They can be anticyclical since their volume increases during a descending economic phase and provide stability during economic crises (Banco Mundial, 2006).
- In a limited scenario, they can help increase the value of national currency in countries of origin and diminish the rentability of commercial crops and manufacture (Banco Mundial, 2006).
- They can foster growth through their contributions to the financing of education, health and investment (BID, 2000).
- Their promotion of consumption could increase per capita income and reduce poverty and income disparity (Banco Mundial, 2006).
- They diminish credit limitations and contribute to economic growth (Banco Mundial, 2006).
- Remittance-receiving households are more likely to save and invest in income generating activities, and even display a more entrepreneurial character than non-receiving households (ONU, 2006).
- Migrant associations provide a common fund for the implementation of development projects in communities of origin (ONU, 2004).
- Governmental policies that promote the productive use of remittances have had beneficial effects (ONU, 2006).

## The Conceptualization of a Remittance-based Development Model

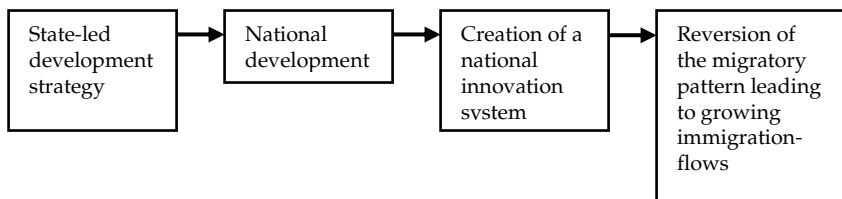
Migration and development are antithetical concepts, especially in the context of North-South labor migration flow. International experience, however, provides three distinct modalities of migration-development relations for workforce-exporting countries:

1. *Economic integration promoting development in countries of origin.* In a context of non-asymmetric regional economic integration that promotes cooperation schemes leading to the development of the least developed countries with supplementary funds, labor-exporting countries can largely resolve their socioeconomic backwardness and also evolve into migrant receptors, hosting workers from countries outside the regional bloc. This has been the case of Spain, Portugal, Ireland, and Italy in the European Union (EU) (Wihitol de Wenden, 1999). It should be noted, however, that the EU's experience also involves relationships of asymmetrical integration with non-EU countries that are associated with large waves of undocumented immigration under conditions of labor precarization. The equation that explains this model is as follows:

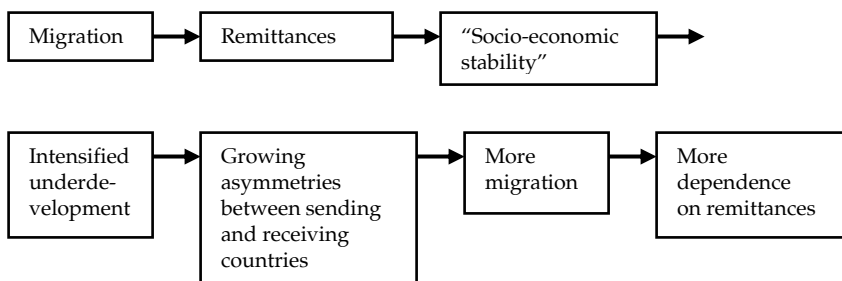


2. *State-led development in countries that export labor.* The state designs a national development strategy with a significant education component, high-level human resource training, scientific and technological innovation, and public and private investment in strategic areas (Amsden, 1989; Kim, 2000). Although migration is not a central element, it is included in the national development strategy in the event of return flows and human resource training. Consequently, as the process of endogenous development targeting the international market develops, the migration problem is resolved when the country of origin turns into a destination for migrants. This case is clearly exemplified by South Korea. Note, however,

that it took place under particular historic conditions (i.e. the Cold War in Asia) that favored the progress of the Korean development strategy in its initial phases. The formula that describes this case is:



3. *Remittance-based development.* Most labor-exporting countries do not have coherent national development strategies; in contrast, they have been subjected to the structural adjustment policies promoted by the IMF and the World Bank and have placed some of their development expectations – particularly at the local or regional levels – on the contributions migrants make through their remittances. At the macroeconomic level, these same resources serve as (i) a source of external income to help boost national accounts, and (ii) a support for social stability that mitigates poverty and marginalization while offering an escape valve in light of the constraints of the local, regional, and national labor markets (RIMyD, 2005). This model – varieties of which are found in countries such as Mexico, El Salvador, the Philippines, and Morocco<sup>2</sup> – is in reality a perversion of the concept of development that offers no prospects for the future. Its formula, following a reconstruction of how the model has function been applied in Mexico (see below), is:



<sup>2</sup> There are two variants of this model: the state-led version (e.g., the Philippines, which has been officially discursively portrayed as a nation of “workers for the world”) and the laissez faire version (e.g., Mexico’s neoliberal format).

As can be seen, the range of international experiences involving migration and development evidences the lack of a unique or exemplary model. This is because different processes belong within different contexts and are inscribed within different routes of regional economic integration. This general array, however, serves as background for our conceptualization of a remittance-based development model, which ultimately follows the basic guidelines provided by international organizations and is currently implemented in Mexico.

The most common definition of remittance involves its role as circulating money and, more specifically, as a monetary transference sent by migrants to their families. For this reason, they have been appraised as private resources, capital on a microeconomic level and currency on a macroeconomic one.<sup>3</sup> Aside from their role as circulating money, remittances bring about social interactions. Firstly, they involve relationships among family members when they appear as international transferees (this issue has been analyzed as a transnational relation); secondly, they encompass production relations since they are a fraction of the migrant workers' salaries. These salaries are relatively higher than those in the places of origin but less than average in the sectors where the migrants' work; in short, they represent a false "oversalary."

Although methodological difficulties prevent an accurate quantification of remittances, their socioeconomic impact on the ravaged economies of migrant-sending countries and, specifically, on the survival of migrant families, is well known. During 2005, migrant workers sent around US\$180 billion to their countries of origin; over US\$54 billion went to Latin America (BID, 2006) and US\$20 billion were specifically received by Mexico (Banxico, 2005).

The remittance-based development model is founded on four major principles (Márquez, 2006):

1. Migrants are subjects and objects of their own development. This means they must contribute their own personal resources (remit-

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<sup>3</sup> The instrumentalist concept adopted by international organizations considers remittances to be the "human side of globalization" (Terry y Pedrov, 2006: 5). This assumes that emigration is an altruistic choice that seeks to establish family security and is entrepreneurial in character, since migrant workers are in search of comparative advantages. From this point of view, remittances become a sort of substitute for public resources and external aid. Their salary-based nature is ignored and they are seen as private transactions between particulars that help ease social problems such as poverty, marginalization and lack of development.

tances) to activate different types of development in their places of origin: participative development, local economic development or communitarian development.

2. The federal government delegates the responsibility of promoting development in areas of emigration to regional and local authorities (i.e., state and municipal governments) without providing them with enough additional resources to properly do so.
3. Local governance is promoted through the participation of migrants in governmental programs and the reception of more family remittances. These strategies may be expected to induce precarious socioeconomic stability.
4. The participation of migrants takes precedence over an institutional reconfiguration that focuses on the promotion of development. This results in a lack of public policies addressing migration and development.

In short, the remittance-based development model, which is promoted by international organizations and most governments in Latin America and the world, is a deceitful and passive attempt to use migration and remittance flows as a strategic and almost exclusive device to solve current socioeconomic problems. The fact that such an approach “distorts the meaning of development by anchoring it to workforce export and the reception of remittances” (RIMyD, 2005) goes ignored.

When development expectations are exclusively founded on migrants’ contributions (i.e., remittances), this purported model becomes patently unsustainable. To begin with, there is no evidence that the ascending remittance pattern will continue for much longer and, unlike the assumptions posed by the paradigmatic economic integration between Mexico and the United States, this model does not attempt to solve the actual problems that lead to migration and lack of development. Secondly, the model does not take into account the fact that remittances are salary-based and meant to ensure family subsistence or the formation of additional migrant workforce. While other emerging new types of remittances - i.e., the collective type, which is used to finance public and social works, and the productive type, which finances the creation of micro and small businesses - contribute enough resources to affect the quality of life in receiving areas, these are not

enough to constitute an actual development fund. And yet, this vision of “development” has become increasingly popular on an international scale. It also plays a major role in Mexican migration policies, albeit in an implicit fashion.

## **The Rise of Remittance Dependency in Mexico**

In Mexico, the remittance-based development model is a result of the workforce exporting process fostered under the economic integration of Mexico to the United States (Delgado Wise and Márquez, 2006). The main goals of this integration are to support the economic restructuring process that has been taking place in the United States since the 1980s and to strengthen the country’s international competitiveness. The relationship between the two countries is based on a series of disparate exchanges that broaden the gap between the two nations, contains no mechanisms to promote development in Mexico and, above all, fails to offer economic support to high-emigration areas, which are the source of the cheap workforce. In this sense, the North American Free Trade Agreement (NAFTA) has played an undeniable role in nurturing migratory flows as opposed to promoting international cooperation for development, as its official text claims.

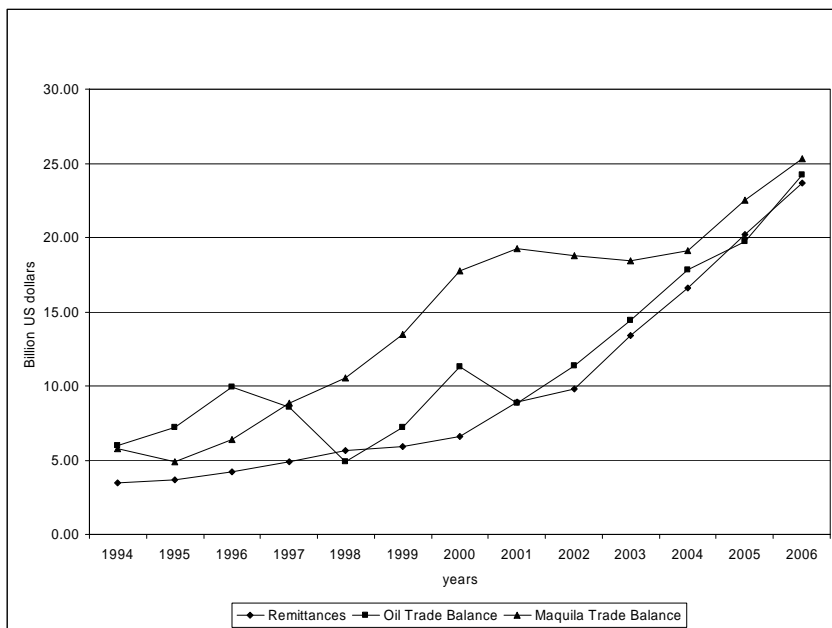
The Mexico-United States migratory setup has created a binational labor market that enables the United States to fulfill its demand for workforce. Since NAFTA was implemented, the “migrant factory” has exported four million Mexicans to the United States and by the end of Vicente Fox’s administration, the number is expected to have increased to over seven million (Rodríguez, 2005). This dynamic ensures that the United States has a reserve workforce at its disposal, while the formation costs have been mainly covered by Mexican society. The United States operates a system of labor exploitation via the flexibilization and precarization of the migrant workforce, which is often classified as undocumented and, consequently, devalued. At the same time, there is an occupational diversification linked to industrial restructuring.

Concomitant to the growth of migratory flow, there has been a relative increase in the amount of remittances sent to Mexico. On a macroeconomic level, remittances are a source of currency that has exhibited the most consistent growth. This trend is rendered more visible by the fact that other forms of external financing, such as foreign direct investment and manufacture exports, have become less important (*see* Figure 1). Official data indicate that remittance reception has increased



30 times since neoliberal policies were implemented. In 2005, Banxico (2006) registered nearly 58.7 thousand transfers with an average of US\$341 thousand, totaling US\$20 million. Conapo (2005) estimates that out of 1.6 million remittance-receiving households, 47 percent depend on them as their main source of income. Additionally, eight percent of national households receive remittances; if this number is multiplied by five people in each household, the result is eight million people, or 7.6 percent of the Mexican population (a total of 104 million in 2006) who receive direct benefits from remittances.

FIGURE 1  
MEXICO: THE CONVERGENCE PROCESS



Studies on the use of family remittances agree that receiving households have a similar spending pattern. Remittances are mostly used to cover basic necessities including health and education, and no more than ten percent is destined for savings or small investments like housing, land, cattle and commercial establishments. Participation in investment projects or governmental programs is also a possibility.

Data shows the indirect impact of remittances as an informal system of social protection for Mexican families in the face of dismantling public services. Out of the US\$20 billion received in remittances during 2005, 15 percent—that is, US\$3 billion dollars—were spent in education and health. This amount (or PM30 billion<sup>4</sup>) is the same as the budget of the *Programa Oportunidades* (Opportunities Program), the Mexican government's neoliberal assistance program, which targets five million households and 25 million people (Tuirán, 2006). In the absence of remittances, the Mexican government would have to significantly increase social spending.

On a microsocial scale, collective remittances supplement public spending in some localities by funding social works and infrastructure (e.g., the *Programa Tres por Uno*, or Three for One), while salary-based or family remittances cover the basic costs of millions of Mexican households. All serve to alleviate poverty and marginalization and to partially free the state from its obligation to contribute to social development. In this sense, migration serves as an escape valve in a context of diminished economic structural capacity and unemployment.

In 2004, PM538.8 million was invested through the *Programa Tres por Uno*. If we add up the four sources of financing (migrants, municipal, state and national governments) this sum amounts to only 3.24 percent of Mexico's family remittance total. In the communities of Zatecas and Jalisco, however, remittance contributions bear significant weight in relation to the amount of public investments in infrastructure and services, which span from the paving of roads and renovation of churches to the building of highways and dams. The *Programa Tres por Uno* has undertaken over 3,000 basic infrastructure projects. However, the federal budget destined to this program has not surpassed the targeted US\$15 million per year and appears particularly low when compared to the US\$54 million per day sent by Mexican migrants to their families during 2005. Despite the positive contributions made by family and collective remittances to the welfare of households and local communities, they are not a substitute for economic and social development policies.

A simulation exercise undertaken by Rodríguez (2005) shows that without remittances, the number of households classified as living in poverty would increase to more than 220 thousand. Even though there is not a direct link between migration and poverty, it is evident that

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<sup>4</sup> PM stands for *Peso Mexicano* (Mexican Peso).

family remittances serve to ease conditions of poverty and marginalization in the absence of governmental intervention. As multiple studies on the impact of family remittances have shown, receiving households tend to enjoy a slightly higher quality of life (i.e., food, health, education and housing) than non-receiving ones. It should be pointed out that 75 percent of remittance-receiving homes in Mexico are not poor and that a large share of remittances is sent to 492 municipalities with high emigration levels and low poverty levels. It should also be taken into account that with the tightening of border security, international emigration involves costs that the poorest households usually cannot afford. This is why we should avoid automatic assumptions regarding the relation between migration and poverty. In the best of cases, we can point out that migration and remittances serve to ease poverty and marginalization in communities of origin. But in no way can we assume that remittances can provide a bona fide solution to these problems.

We posit that migration has unintentionally become a cog in the neoliberal machinery, providing it with a façade of stability and, paradoxically, even though migrants endorse no particular agenda, a “human face.” On a macroeconomic level, remittances serve to prolong the life of a development model that has already shown signs of instability. On a microeconomic level, remittances ease poverty and marginalization inasmuch as they transfer resources that have no solid ties to savings, an improvement of productive capacity or economic growth.

## **Who Reaps Benefits from Remittance Growth?**

The chain of economic activities directly and indirectly derived from international migration has been labeled as a kind of “migration industry.” Besides affecting those who are directly involved, migration generates a whole series of activities that energize local and regional economies. It can also result in negative effects, which have been amply documented (Papademetriou, 1998), including depopulation, the abandonment of productive activities due to said depopulation, and the increasing dependency on remittances.

In short, international migration has its winners and its losers. On a macrosocial level, a wide range of businesses reap considerable benefits by providing goods and services derived from remittance transfer transactions. For example:

- The demand for goods and services produces a direct increase in the commercial activities of local economies and an indirect increase in regional ones. In the first case, there is a multiplying effect on a local level and, in the second, the multiplying effects are transferred to other areas through commercial transactions. Remittances do not necessarily affect the place where they are sent, what matters is where they are spent—that is, cities with more extensive economic activity.
- The transfer of remittances has become a very lucrative business in the hands of a few companies such as Western Union and Money Gram. A decade ago, when the market was largely monopolized by these two companies, transaction costs oscillated between 15 and 20 percent of the total value of money transfers. An increase in the number of competitors has relatively lessened costs. Meanwhile, international organizations like the World Bank and certain NGOs are endorsing the creation of a micro financial sector linked to the sending, reception and local use of remittances.
- The increasingly diversified and dynamic international transport industry facilitates migration and associated activities, such as *paisano* tourism and the transportation of corpses. Occasionally this results in the creation of new routes and the opening or modernization of certain modes of transportation.
- The growth of telecommunication services including the Internet and telephone have contributed to real time communication between places of origin and destination.
- By reproducing their culture and traditions in the countries of destination, migrants generate a vast consumption market for products and cultural goods imported from their places of origin. This is known as the “nostalgia market” (or, in the case of Mexico, *mercado paisano*).

Given the relatively limited development of an entrepreneurial migrant community, the niches created by the migration industry tend to get filled by large multinationals belonging to the receiving and, to a lesser extent, sending countries. This is the case of Western Union, Money Gram, AT&T, City Bank, Continental, American Airlines, Wall-Mart, Telmex, Mexicana de Aviación, Cemex, Aereomexico and others. There is also a growing variety of small and medium businesses, such as travel agencies, currency exchange houses, etc.

Generally speaking, transnational modes of living result in an ample range of economic activities (both in places of origin and destination) that can be inscribed within the logic and global dynamics of economic development in the countries that lead the ongoing process of globalization (e.g., the United States). In Mexico, this is evidenced by the transformation of consumption patterns which, exposed to migrants preferences, increasingly favor the acquisition of U.S. merchandise. In the United States, migrants' growing acquisitive power feeds the internal market and ultimately becomes another aid in the reproduction of national asymmetries and the preservation of the international *status quo* (Guarnizo, 2003).

The economy of migration also generates a substantial amount of entrepreneurial activities undertaken by Mexican migrants in their countries of destination. Although these activities are mostly housed in the United States and fulfill the demands of the so-called "Hispanic market" and, in particular, the nostalgia or *paisano* market, there is evidence that some migrants invest in their places of origin and even display transitional entrepreneurial activity (Guarnizo, 2003).

## Conclusions

The importance of remittances in the Mexican economy has led international organizations and the Mexican government to suggest that these constitute an indispensable resource for development. This paper has conceptualized this policy as a remittance-based model that not only distorts the very notion of development, but hides the root causes of migration under the guise of a fictitious economy that is increasingly dependent on remittances and is also unsustainable. This leads us to conclude the following:

1. In the past few decades and in the context of so-called globalization, international organizations and world governments in general have abandoned the goal of promoting development. Because of this, migration has become a major source of currency and a way to supplement national employment limitations in migrant-sending countries.
2. Family remittances are one of the most visible pillars of the economy of migration. In most cases, they are a fraction of the salary received by migrants working in the United States and their purpose

is to cover the basic needs (food, health, education and housing) of family members who remain in the places of origin. To a lesser extent, these family remittances contribute to the financing of small businesses in places of origin. Although there is no direct link between migration and poverty, it is evident that family remittances serve to alleviate poverty and marginalization where there is no governmental intervention. We should, however, understand that remittances do not constitute an inexhaustible resource that can support Mexico's socioeconomic stability.

3. Even though they do not comprise as large a group as that of family remittances, collective remittances (i.e., resources sent to places of origin by migrant organizations to finance public works that benefit local communities) have contributed to social development in communities of origin, the strengthening of migrant organizations and the reinforcement of transnational bonds.
4. In addition to family and collective remittances, the economy of migration encompasses a wide range of entrepreneurial activities on the part of Mexican migrants. Although these activities are mostly centered in the United States and fulfill the demands of the so-called "Hispanic market" (in particular, the nostalgia or *paisano* market), some migrants invest in their places of origin and even display transitional entrepreneurial activity.
5. Migratory flows have resulted in the so-called migration industry, which is composed of remittance transfer services, telecommunications, transport, tourism, construction, media and cultural and entertainment companies, among others. This market is chiefly controlled by large U.S. corporations. Migrants, on the other hand, doubly contribute to the stimulation of the U.S. economy: their increased acquisitive power feeds the U.S. internal market, and they foster changes in the consumption patterns of places of origin by favoring the purchase of U.S. products.

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# The 3x1 Program of Collective Remittances in Mexico: Lessons for Other Countries of Origin

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## Collective Remittances and the Impacts of the 3x1 Program

There has been a remarkable increase in family remittances received in Mexico over the last few years. According to the Bank of Mexico (2008), remittance levels reached a total of over US\$16.6 billion in 2004 (*El Financiero*, 2005a). In 2007, remittances reached US\$23.979 billion (Bank of Mexico, 2008). This rising trend has created great expectations and has generated interest around the impacts of these remittances on economic development in Mexico's various regions. The long history of Mexican migration to the United States, the silent integration through a binational labor market emerging over the last fifty years, as well as an "addiction" to remittances on the part of the state economy, may together serve as a valuable point of reflection for the future development of the country and of regions that have recently incorporated themselves – at an accelerated rate– into the international migration

process. The incorporation of countries in international migration processes has engendered diverse consequences, including a reliance on the resources generated by Mexicans working outside the country.

In recent years, international migration from Mexico to the United States has encompassed all parts of the country, reflecting the economic precariousness in Mexico and the increasing integration between the two states. A significant number of studies have been conducted inside and outside Mexico focusing on the causes and consequences of this phenomenon. It has become quite clear that the transnational transfer of wages makes it possible for the families of migrants to increase their well-being in terms of better nutrition, health, education and housing (Canales, 2004). Although on the one hand this has a positive impact on the remittance-receiving population, there is also a negative effect accrued in terms of the social inequalities produced between those who receive these resources and those who do not. A significant development in regards to the transnational transfer of wages is the experience of Zacatecans who have channeled collective remittances (i.e., contributions by members of Zacatecan clubs in the United States) to finance public infrastructure projects in their communities of origin. This practice has been taking place since the 1960s, and will be discussed in further detail in the following section.

More than a century of Zacatecan migration to the United States has led to the formation of United States-based Zacatecan communities. At the core of this development are migrants' shared origins, which cement their links in the communities they form in the United States and motivate them to carry out joint activities for the benefit of their places of origin. An antecedent to these Zacatecan Clubs was in Southern California during the 1960s. During this period, migrants began to organize in Los Angeles to provide assistance to sick migrants, to aid those affected by accidents, and to help return the bodies of those who had died back to their homeland (Moctezuma, 2000). It was also during this stage that initial efforts to carry out public infrastructure projects, including the repair and renovation of plazas, churches, sports areas and cemeteries, were financed exclusively by migrants' contributions. Some Zacatecan migrant leaders have referred to this stage as the "0x1" period, with migrants' dollars as the only financing tool. In the 1970s, progress was made in combining funds from some local governments with resources from migrants to carry out community projects; this matching came to be known as the "1x1" modality. It was during the last 15 years, however, that Zacatecan Clubs, initially in California, and



then elsewhere in the United States (Illinois, Texas, Colorado, Nevada, and other states), initiated a stage of development that catapulted them to prominence. They have gained renown because of the number of clubs they have established (more than 230) and the modality that they developed to support public infrastructure projects in their hometowns.

The emergence of the 1992 “2x1” program in Zacatecas can be attributed to a number of factors, which include: the migration experience of Zacatecans in the United States; the development of important transnational social networks and their long-standing support for their communities of origin; the intensification of international migration and the increasing amounts of remittances sent to Mexico; as well as the beginning of a new type of public policy that encourages migrants’ contributions to promote regional development. The program’s goal was to institutionalize contributions from Zacatecan Clubs to support projects aimed at building public infrastructure in their communities of origin, with the contribution of one dollar each from the state-level government and from the federal government, for each dollar invested by migrants. Thus, in 1993, the first projects were carried out, with an investment of US\$575,000. By 1999 the program moved on to its “3x1” stage, with local governments incorporated into the program, contributing an additional dollar (to each dollar contributed by migrants). This was possible because of the increased money available resulting from the decentralization of federal spending. This explains how 93 projects in 27 municipalities were financed that year with nearly US\$5 million. In the investments made between 1993 and 1999, priority was placed on financing potable water, sewage systems, electricity, sports fields, roads, paving of roads, and the construction or renovation of churches, parks, plazas and rodeos. In 2000, migrants contributed US\$1.5 million, which together with government contributions, reached a total of US\$6 million used to finance 95 community projects. This period also witnessed a new type of project - scholarships for students and community computer centers established in the Monte Escobedo and Jalpa municipalities. In 2001, the program provided US\$7 million for 113 projects; in 2002 these figures increased to US\$8.5 million for 149 projects; and in 2003, US\$20 million were accumulated, which funded 308 projects. For the entire period from 1993 to 2005, it is estimated that 1,500 public infrastructure projects have been carried out under this program, with an investment of US\$62 million in combined funds (Jimenez, 2005). It is important to mention that in the last

three years, the decentralization of the Autonomous University of Zacatecas to the municipalities of Jalpa, Tlaltenango and Valparaíso has been financed through an initiative by local populations and their hometown associations, with a significant contribution from the 3x1 program.

The most important contributions made by the 3x1 program are not a matter of investments or the number of basic infrastructure projects realized. Instead, the program's greatest strengths stem from facilitating and promoting the transnational organization of migrants. This process materializes in hundreds of social projects that increase the population's standard of living and positively impacts local development. In this regard, we can see three vital contributions from collective remittances: communities of origin are linked with communities of destination; both become key players that enter into dialogue with the three levels of government in the country of origin; which then make it possible to finance social projects in regions previously excluded from public investment (Garcia, 2003) This program favors what Natasha Iskander (2005) has called a completely new process of social learning involving migrants, their communities of origin and the three levels of government. This social learning movement is a significant shift for Mexico, which suffers from increasing macroeconomic fragility (as demonstrated by the dependence on income from oil and remittances). In fact, from a strategic perspective, a proposal for local and regional development throughout the country is urgently needed and hometown associations may play an important supportive role in this process.

An additional contribution from the 3x1 program as a transnational social learning process is the momentum toward a new culture of accountability and transparency in the use of public funds and migrants' contributions. The process has been slow, complicated and characterized by friction between the three levels of government since the "2x1" stage. Initially, in the 1990s, the supervision of projects was inadequate and accountability toward migrants was limited. It was precisely the poor quality of some highway construction, road-paving and other projects that generated dissatisfaction on the part of the communities of origin and a response from the Federation of Zacatecan Clubs in Southern California (*Federación de Clubes Zacatecanos del Sur de California* or FCZSC) to ensure that local Projects Committees fulfilled their promises in supervising the progress and quality of these works. The Federation, through its administrative structure, decided to take re-

sponsibility for supervising projects to guarantee their progress and quality. This process was undertaken with photographic and video evidence of the most important details to use as evidence in relation to demands and negotiations with the corresponding authorities. This experience was significant in moving forward with the 3x1 Program, particularly in fostering accountability in the local population and in responding to challenges. By the end of the 1990s, the Federation had come up with an improved scheme in project monitoring, problem solving and negotiating with state-level government.

In addition to dealing with governments, the dynamics between communities of origin and hometown associations also play an important role in shaping the implementation and outcome of the projects. In July 2005, we visited seven projects – highway construction, street paving, construction of plazas and bridges and remodeling of churches – linked to the 3x1 Program in the municipalities of Tepetongo and Sain Alto, Zacatecas. The various situations that we observed during the field visits led us to the following conclusions:

- When communities are organized and committed to the project, the Projects Committee functions adequately, and projects are carried out effectively. Conversely, when communities have a low level of organization and they have minimal commitment to the project, the Committee can not operate well.
- When the community is generally indifferent to the project and does not make a commitment to it – even if it stands to benefit from the project – the head of the Projects Committee assumes the leadership role, with direct support from the clubs, in order to guarantee the implementation of the project. In these cases, the driving force comes from outside and not from the local community.
- When the community is disorganized, the Projects Committee does not fully function, and the municipal president offices do not have public control over the management of resources and project implementation, the clubs often provide “moral” backing, through a simple letter of support, but without any financial contribution. In this way, the clubs avoid any link to the final results (Garcia, 2005a). This anomaly is one of the institutional weaknesses confronted by the Program, and it must be resolved in the future.

The slow progress being made in inculcating a new culture of accountability and transparency in the use of public and community funds derives from the organizational weaknesses of the communities of origin, and the fact that the maturation process of the Mexican citizenry is only beginning. Also, there are few institutional changes toward this new culture in the three levels of government. These factors delay the development of a culture of accountability, impede the democratization process in the larger society and create obstacles in advancing toward a new stage in social and productive projects. In addition, these factors hinder the consolidation of transnational social learning processes that serve as a democratizing force and as an element of social transformation towards comprehensive community development.

The experience gained from the 3x1 Program in Zacatecas and at the national level points to several challenges that must be met to consolidate the Program (Garcia, 2005b). The following questions must be addressed:

1. How can this social learning process be institutionalized without falling into a new form of social corporatism?
2. How can the 3x1 Program be better administered and optimized for the communities and the clubs?
3. In what way can the communities of origin and destination be assisted so that they can have a more active role in the Program and to propose new transnational development programs in education, culture and health, as part of a new type of public policy?
4. How can a culture of accountability and transparency be promoted in the programs and in the communities where they are conducted?
5. How can the strategies used by hometown associations be supported, in order to strengthen their economic, social and cultural presence in the United States, particularly as they confront the challenges facing the second generation of migrants and their economic, social and cultural disadvantages?

6. How can government entities generate new alternatives for migrants' investments and productive micro-projects while avoiding any negative impact on the 3x1 Program, which is based on logic of solidarity with communities and not business logic in search of profit?

## **Hometown Associations and Productive Projects**

Over time, Mexican hometown associations such as the Federations of Clubs formed by migrants from Zacatecas, Jalisco, Michoacan and other Mexican states have achieved greater degrees of institutional maturation. In the last four years, these groups have redirected their focus from social projects to productive projects in their communities of origin. This shift is not motivated by a search for profit, but by the interest to contribute to job creation and improved income in migrants' communities of origin. This goal takes on highly complex dimensions in relation to the macroeconomic and sector-based problems in Mexico. As pointed out by CEPAL/ECLAC (*El Financiero*, 2005b), during the period of 1994-2003, 1.9 million jobs in Mexico's agricultural sector were lost. Thus, it is extremely important to understand the potential strengths and weaknesses of Mexican hometown associations in the United States in order to identify how they might benefit their communities of origin.

In the article, "New Development Opportunities? The Work of Hometown Associations, and their Present and Future," Manuel Orozco (2004) analyzes the nature and impacts of Mexican associations on communities of origin. Orozco (2004) emphasizes that international migration and globalization have transformed the relationships between the United States and Latin America. These international trends have helped to produce a new set of social actors who have a broader vision of international interaction. Migrants' clubs are an example of this new group of actors who are characterized by having a sense of belonging to both their origin and destination communities. Such clubs promote local development and support their communities of origin, while maintaining links with communities of destination. In assessing the importance of these clubs for local development and change, we must ask whether such clubs are actually interested in this process or only in promoting philanthropic activities such as those mentioned in the previous section. According to Orozco's assessment, Mexican clubs are generally small philanthropic organizations, with few resources

and limited organizational structures. Their activities are oriented toward the construction of basic education and health infrastructure and their donations have a significant impact on local receivers. In addition, the partnership of clubs' associations and government organizations strengthens the achievement of development goals. In the course of realizing their various activities, migrant clubs manage to promote philanthropic activities and serve as advocates advancing local development and change.

Orozco identifies five criteria in analyzing the relationship between the activities of migrant clubs and local and regional development: (1) capacity in institutional development, (2) organization, (3) capacity in association and collaboration, (4) duration, and (5) impacts. He notes that the clubs are increasing their capacity in institutional development, organization, collaboration and association. However, he also stresses that the members of these clubs are not professionals in philanthropic activities, and most of them assist in the clubs' work during their free time. Consequently, there is a clear limitation in terms of the time and capacity available for any future plans for development.

Clubs that have already accumulated a long history have gained experience in associating and collaborating with other migrants' associations, with different levels of government and with other actors. Over time, clubs have also supported a variety of different projects. They begin with projects such as repairing churches, cemeteries, public parks and sports fields; the next phase is supporting projects providing potable water and electricity, street paving, or the construction of schools, health centers and computer centers. The clubs that have existed for the longest period of time have moved on to supporting productive projects since they came to recognize that the main problem in the communities of origin is the lack of jobs.

In evaluating migrants' clubs' social projects, Orozco highlights that frequently, migrants' donations are greater than public resources for social projects in communities. The clubs and municipal and state governments have different ideas in the selection, implementation and management of projects. The contributions of receiving communities are hampered by their organizational weaknesses, which limit their capacity for controlling investments, for ensuring the quality of the projects, and for maintaining the works constructed.

From his study of Mexican migrant clubs, their projects and their likely impact on development, Orozco underscores five important lessons:

1. *The potential for supporting development proposals:* The development projects carried out by clubs increase economic opportunities in communities with high international migration. Nevertheless, before encouraging clubs to participate in promoting development, it is important to understand their practices, visions and projects, in order to identify opportunities for collaborating with them.
2. *The commitment to significant development projects:* The clubs have the capacity to promote and support small-scale local development projects.
3. *Diversity of clubs.* There is great diversity among the different Federations of Clubs formed by migrants from Zacatecas, Jalisco, Michoacan and Guanajuato, as well as within federations. This diversity also spills over into differences in their experiences and their social networks.
4. *Diversity of collaboration:* Different abilities in collaboration and association with other organizations result from the experiences and history of each club and each Federation.
5. *Identification of community needs:* As indicated earlier, there is serious friction between clubs and the different levels of government in the selection of public works to be carried out, and the quality and maintenance of those works. In this sense, the clubs and their communities of origin can play a very important role as agents of local development by developing an agenda of high-priority social and economic projects aimed at community and regional development. However, this requires improved comprehensive transnational community organization, at the institutional, social, economic and educational levels. This is one of the strategic challenges confronting migrants' clubs, their communities and the entire country.

Orozco concludes that the clubs play a very important role in the development of communities of origin. In order to enhance the impact of their actions, clubs should improve their organizational and technical capacities. The possibility of working together in joint projects with other actors such as international foundations or donor agencies might be the way to increase their capacities for taking action. Collective

work, including citizen participation, has great potential for rural development through projects in education and health.

In recent years, clubs have transitioned into sponsoring productive projects. On 7 November 2001, the members of the Federation of Zacatecan Clubs in Southern California (FZCSC) presented a proposal to then President Vicente Fox on the Federation's goal to support productive micro-projects. The proposal was also presented at the Second Convention of Federations of Zacatecan Clubs, held in Chicago, Illinois in July 2001. At that convention, in a specific meeting regarding a proposal from FOMIN-NAFIN<sup>1</sup> for migrants, the leaders from these Federations reiterated their interest in productive projects. Moreover, they indicated a desire to be consulted and to have their clubs' characteristics, demands and needs be considered in regards to these projects. In January 2002, Efraín Jiménez, FCZSC Vice President, proposed the need to extend the 3x1 Program to include productive projects, negotiating with the three levels of government in order to generate funds of 200 million pesos for this purpose. They also requested legal information to guarantee their investments and technical training for improving micro-projects such as bakeries, cattle feeding operations, tortilla-making shops, machine shops, etc. It is worth noting here that the primary concerns and proposals are focused on creating jobs in local communities with high levels of migration and seeking a degree of certainty for their future investments. This explains their interest in learning more about national experiences in carrying out regional diagnostic assessments of strengths and weaknesses in relation to production and infrastructure (Garcia, 2004).

The FCZSC's step towards productive micro-projects can be explained by its long history and level of institutional maturity. These two factors have allowed it to promote various levels of institutional development for political participation, with the creation of the Zacatecan Civic Front in 1997, and with the modification of the "3x1 Citizen Initiative Program." It has succeeded in making its rules of operation more flexible, re-establishing the original norms for demanding partic-

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<sup>1</sup> It is a joint initiative of the Inter-American Development Bank's Multilateral Investment Fund (Fondo Multilateral de Inversiones or FOMIN) and Mexico's Development Bank (Nacional Financiera or NAFIN). The 36-month project was launched in October 2001 to direct migrant savings and remittances into productive investments in sending communities in Guanajuato, Puebla and Zacatecas. The other contributors are HTAs, local investors and state and local governments.



ipation by clubs and federations as a requirement for receiving assistance from the program, and seeking options for productive micro-projects as part of the program. In addition, in 2003 and 2004, the FCZSC was the primary promoter of the Migrant Law of 2004, which modified the State Constitution to allow migrants to serve as legislators and mayors for the first time in Mexico. As a result of this legislation, there are two legislators and two mayors representing the migrant sector. This demonstrates the relevance of migrant federations in the economic, social and political life of Zacatecas.

The FCZSC's move towards the promotion of productive micro-projects is a new phase in the Federation's institutional life. This implies an enormous challenge and great risks for the FCZSC and can be likened to a "leap of death"<sup>2</sup> in light of the many obstacles and problems in Mexico and beyond (García, 2003). These problems include: the structural economic crisis in Mexico; bankruptcy in Mexico's rural areas; the dismantling of the Mexican State apparatus for development; the impacts of the Free Trade Agreement with the United States and Canada; the economic and organizational weaknesses of Mexican communities; and the institutional fragility of Mexican hometown associations in terms of time availability, professionalization, organization and training.

Therefore, the institutional "leap of death," from solidarity-oriented projects to productive projects entails a reorientation in the current economic model and the implementation of a new type of public policy that promotes regional development. Additionally, it involves the challenge of significantly increasing the organization and technical training of migrants' clubs and federations to enable them to tackle the new stage of productive micro-projects and transnational community development. This will not be possible, however, if progress is not also made in the organization and technical training of communities of origin and institutional changes in the three levels of government. Zacatecan communities of origin (and the entire country, in general) are profoundly weak in economic, social and organizational terms, and at times this prevents them from carrying out any proposals for local development or productive micro-projects. This is specifically due to declining populations, social disorganization, technical limitations and social passivity generated by reliance on remittances. These

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<sup>2</sup> A daring Mexican rodeo feat known as the "paso de la muerte," in which the rider jumps from a tame horse to a wild horse, while both are in movement.

and other structural obstacles demand a new type of public policy committed to support training, organization and alternative financing (Garcia, 2005c).

The FCZSC managed to obtain financial assistance from the Rockefeller Foundation at the end of 2003 for the purpose of initiating a process of strategic planning and institutional strengthening. With the funds, it was able to begin organizing workshops in Los Angeles, California in March 2004, on the topics of institutional diagnostic assessment, organization and internal training. In October 2004, the first binational meeting on productive projects with migrants was held in the city of Zacatecas. In attendance were 30 participants from FCZSC, government officials from the state and federal levels, municipal presidents, state producers and researchers from the Autonomous University of Zacatecas. The meeting acknowledged that there is a lack of an entrepreneurial culture in the Zacatecan migrant community in the United States and in their communities of origin. As such, there is a need to count on a multi-sector collaboration interested in these productive projects to promote entrepreneurial culture and to invest in capacity-building to make these projects viable. To move forward, the First Binational Conference on Productive Projects with Migrants, "Zacatecans working for Zacatecas," was held in the city of Zacatecas on 3-5 December 2004. Organized by FCZSC, it was attended by more than 100 participants. In addition to the participants who attended the previous meeting in October, there were migrant leaders from other Zacatecan Federations and representatives from other Mexican states, as well as other municipal presidents, national nongovernmental organizations, researchers from different educational institutions, national and international community foundations, and representatives from international foundations. The conference concluded that the primary limitations to moving forward in productive projects with migrants and their communities of origin in Zacatecas are the lack of financing for productive projects, lack of an entrepreneurial culture, lack of planning, "top-down" policies, lack of adequate channels for commercialization, lack of an organizational culture and an absence of networking with community development projects.

As a strategy for resolving these limitations, the following sector-based agreements were reached (Garcia, 2005d).

### To Migrant Federations

1. To organize more inter-sectoral forums to motivate and bring together different sectors.
2. To seek support from national and international foundations for promoting productive projects.
3. To design strategies for marketing Zacatecas products.
4. To seek alternative techniques for improving productive projects.
5. To take advantage of migrant networks as channels for commercialization.
6. To seek funding for productive projects from foundations, state and federal governments, international entities, migrants, etc.
7. To evaluate the most viable options to enhance productive projects; this work will be shared with the Projects Committees in the 3x1 Program.
8. To organize workshops in communities for promoting an entrepreneurial culture.
9. To strengthen new clubs and their participation in social and productive projects.

### To Higher Education Institutions, Nongovernmental Organizations and Technical Services

1. To establish a center for studies on resources for economic and social development in Zacatecas.
2. To conduct evaluation and follow-up studies on productive projects and also to address problems emerging from these two processes.
3. To promote a process for certifying the quality of Zacatecan products and to improve the marketing of these products nationally and internationally.
4. To propose a new type of public policy that promotes regional and community development, especially the fostering of a favorable economic environment for productive projects.
5. To exchange experiences with other migrants' organizations in Mexico and other countries (Turkey, India, the Philippines and Morocco, among others) with regard to organization, training and productive projects.

6. To strengthen the relationship between migrant federations and the three levels of government as well as with the *Banco de Comercio Exterior* (Mexican Bank of Foreign Trade).

#### To Producers

1. To prioritize productive projects promoted by migrants.
2. To form productive chains of social enterprises and communities working together.
3. To satisfy the economic needs of members in the entire productive chain on an equal basis.
4. To create a Center for Higher Studies on Zacatecan Producers.
5. To encourage studies on the specific demands of national and foreign clients.

#### To Foundations and International Entities

1. To develop global agreements on migration and development by sector - this would promote learning about the best practices regarding projects that link migration with development.
2. To promote exchanges between migrant leaders, to share experiences in organizing productive projects, at the national level and with other countries.
3. To promote the institutional strengthening of civil society organizations, encouraging programs in capacity-building, organizing, and technical and business training, in order to increase the abilities and capacities of communities of origin and hometown associations.
4. To encourage coordination between foundations and financial institutions in Mexico and the United States and to improve the distribution and use of funds.

Of all the proposals made, two were deemed essential and were assigned to specific individuals who were tasked to present their results at the Binational Conference held on April 9-10, 2005. The first was the compilation of a catalogue of thirty projects with a certain degree of feasibility to be carried out or those which could provide assistance to other ongoing projects. The second was the creation of a Center for Assistance in Business and Community Development (*Centro de Apoyo para el Desarrollo Empresarial y Comunitario* – CADEC), which will serve

as a technical instrument for support, organization and training. The Doctorate Program in Development Studies at the Autonomous University of Zacatecas was commissioned to develop the proposal. The Second Binational Conference was held as planned and the list of projects was presented. Most of the projects were agro-industrial, including some that were already operating but experiencing problems in marketing and financing; some were at the proposal stage and characterized by technical weaknesses in the way they had been formulated.

The CADEC project was also presented. The center is tasked with the following functions:

1. To conduct binational diagnostic assessments on the productive and organizational strengths of Zacatecan migrant federations and the various producer organizations.
2. To conduct studies on the economic and social impacts of migration, including family and collective remittances in Zacatecas.
3. To conduct a study on the current situation of migrants' productive projects and their prospects in Zacatecas.
4. To develop a proposal for institutional strengthening and strategic development with migrants' federations and organizations of producers.
5. To offer technical guidance for formulating and evaluating productive projects proposed by hometown associations and their communities.
6. To establish a program for organizational and technical training in communities of origin where migrants' clubs are already carrying out basic infrastructure projects and are planning to move toward productive projects and comprehensive community development projects.
7. To complement the above with an assistance program for community development designed to support the emergence of locally-based organizations that will serve as a counterpart to migrants' clubs in comprehensive community development projects.
8. To promote an exchange program with other migrants' organizations of Mexicans, Latin Americans and those from other countries who are promoting similar processes of creating links between migrants and development in their regions of origin.
9. To promote a program of international and inter-institutional collaboration between Mexican universities such as UAM-Iztapalapa,

Autonomous University of Puebla, Iberoamerican University of Puebla, University of Guadalajara, and Technological Institute of Oaxaca, on the one hand, and US universities such as the University of California at Santa Cruz in Southern California, Los Angeles, and Davis, plus the University of Chicago, the University of Notre Dame, Harvard University, Tufts University, and the Massachusetts Institute of Technology, among others, interested in participating in this proposal.

10. To promote the creation of a binational bank of university human resources, which will provide data on the children and descendants of Zacatecans who have graduated from Mexican and US universities.
11. To create a virtual network of information and collaboration that brings together all the organizations of Zacatecan emigrants, their communities, municipalities, state and federal government offices (including information on programs and budgets in coordination with hometown associations), educational institutions, nongovernmental organizations and international foundations.

Beyond the importance of the proposals mentioned here, the productive projects agenda and the implementation of CADEC at the beginning of 2006, the most significant impact of the FCZSC's activities has been to generate a new forum for transnational collaboration and learning for the advancement of migrants' productive projects and the comprehensive development of their communities of origin. The challenge lies in replicating this experience in other federations, such as those in Illinois and Northern Texas. Part of the challenge is the support of the state government in such initiatives, avoiding the temptation of neo-corporate actions, and working to implement the State Development Plan for 2005-2010 (which establishes a state policy on migration and development). This would place Zacatecas at the national and international forefront in designing and implementing programs and projects for long-term comprehensive regional development, with the vital participation of hometown associations and their communities of origin (Garcia, 2005e).

### **A Productive 3x1 Program: A New Paradigm?**

The FCZSC's decision to shift to productive projects with greater impacts on jobs, income and well-being in their communities of origin is

in line with its goal to promote local and regional development. In the last two years, the leaders of FCZCS have been talking with the Mexican Ministry of Social Development, which is responsible for the "3x1 Citizen Initiative Program," regarding the possibility of moving from solidarity projects to productive projects. This proposal represents enormous institutional challenges for the Ministry and the Program, since the latter emerged and was institutionalized for the purpose of philanthropic projects focused on basic infrastructure, with collective donations from migrants and the confluence of public resources from the three levels of government. These projects are for the benefit of the overall community, unlike productive projects which generally involve individual investments and individual benefits, making the confluence of public funds difficult. In addition, a change toward productive projects means that hometown associations must enter into the currently-existing adverse macroeconomic context and in the absence of comprehensive public policies for supporting such initiatives. Other challenges include the Federation's own organizational and institutional weaknesses, the lack of an entrepreneurial culture for most of its members, the fact that its members participate on a volunteer basis, and the lack of a professional technical support team dedicated full time to supporting its social and economic activities in California and Zacatecas (Garcia, 2005e).

Discussion regarding the possibility of moving toward the modality of a productive 3x1 Program was revived in late 2005. The ceremonial signing of an Agreement-Commitment between First Data Corporation (Western Union) and the Zacatecas state government was announced on 23 October 2005 in Washington, DC. The agreement aimed to create a "4x1" Program, with First Data offering US\$1.25 million for three states interested in participating in the new program. The agreement, as suggested by its name, was only ceremonial in nature and was aimed at promoting First Data Corporation. It was merely a letter of intention that did not specify important details such as the type of project for which funds would be allocated, nor did it mention the criteria to be used, who would define the projects or the selection process. The funds offered were minimal, amounting to US\$416,000 per state, in comparison to the US\$1.2 million that entered Zacatecas on a daily basis in 2004 through family remittances. Also notable was the proposal's ambiguity and vagueness. The governor of Zacatecas was quoted as saying: "This initiative is an unprecedented experience, an example of international organization, a result of the work of migrants, whose ob-

jective is to generate jobs through productive projects, the building of infrastructure, and in general terms, improvement in the levels of well-being for the people living in Zacatecan communities. A unique characteristic of the 4x1 Program is that as of today, private capital is clearly incorporated in the initiative of Zacatecan migrants, for the purpose of promoting the comprehensive development of their communities of origin" (*Expresión*, 2005).

The ambiguity on the use of resources offered by First Data Corporation was once again manifested at the FCZSC's annual celebration in Los Angeles, California on 11-13 November 2005. In the message by FCZSC President Felipe Cabral, he stated that the 3x1 Program should shift toward productive projects due to their importance in creating jobs in communities of origin. The governor, for her part, indicated that it is necessary to initiate productive projects; however, they should be designed for the benefit of the community. The signing of the agreement with First Data Corporation was reported at the event, but no other information was provided on the type of projects to be carried out. In fact, when several mayors attending the November meeting on the 3x1 Program were publicly asked if they were interested in participating in an eventual productive 4x1 Program, all of them answered that they were unaware of such a proposal (personal communication with Kelly Shanahan, 15 November 2005).

The overall panorama just described demonstrates, among other things, the great generosity of Mexican hometown associations, which are attempting to promote, through productive projects, the economic development of their regions of origin –something not achieved by the governments in their country. The panorama also reflects the institutional and organizational weaknesses characterizing their organizations and their communities of origin, leaving them poorly prepared to confront the "leap of death." In addition, the overall situation reveals the lack of public policies on migration and development at the state and national levels, the persisting lack of government economic structures for integrating the social and economic proposals and projects of migrants, and the lack of evaluating the technical merits of such proposals, strengthening them and transforming them into daily government actions through their annual operational programs.

In Zacatecas, as in the rest of Mexico, the requisites to realize the actions specified in the State Plan for 2005-2010 are profound institutional change at all three levels of government, as well as the creation of genuine public policies on migration and regional development. In



this way, the state can truly capitalize on the enormous and generous contributions of its migrants for the state's comprehensive development – with jobs, democracy and well-being for all. If the conditions in Mexico do not change, however, what we will continue to see is rhetoric, backwardness, and marginalization, and in 15 years, we will find that 75 percent of the municipalities are unpopulated.

## Conclusions

The evolution of hometown associations into federations and the change in their emphasis from solidarity projects to productive projects have generated some lessons learned and have raised new questions.

1. The 3x1 Program has been a great experience in transnational solidarity between Mexican hometown associations and their communities of origin. In addition to other contributions, this program has facilitated collaboration between the transnational citizenry and the three levels of government for the benefit of migrants' hometowns. At the same time, it has generated a process of transnational social learning that makes it possible to move toward a new type of productive and community project, based on new public policies for promoting local and regional development.
2. A key element in the 3x1 Program is the emotional bond that migrants maintain with their communities of origin. Despite the economic, social and political heterogeneity of Mexican migrants, these bonds have prompted them to participate and contribute to the well-being of the hometown population. In the process, they have influenced new orientations in the country's social policies. The sustained growth of the program can be explained by the voluntary nature of the donations and the fact that the projects benefit the entire community. However, in the case of productive investments, the logic used is different. Since profit is part of that logic, the rules of the game change radically. In this case, we are looking at individual or private investors who are dedicating their savings in order to obtain a benefit. They assume market risks characterizing all business investments, and they supervise what takes place and constantly demand accountability.

3. Because of all the difficulties confronting the transition from solidarity projects to productive projects, our position is that the 3x1 Program should be maintained exclusively for the social projects for which it was created, and new specific programs for productive projects should be created at the national and state levels. It is important to evaluate various experiences in the country over the past eight years in states such as Guanajuato, Jalisco and Zacatecas, and at the national level, specifically, the Invest in Mexico (*Invierte en México*) Program sponsored by *Nacional Financiera* in collaboration with the Inter-American Development Bank.
4. The 3x1 Program can be improved in terms of planning, participation, scope, implementation and evaluation. In fact, a double contribution can be made with the transition toward productive projects, through the solid social capital of transnational hometown associations committed to local development, and the construction of infrastructure, such as highways and electricity that make it possible to carry out productive projects. However, mixing a solidarity focus with a productive focus in an environment where there is a lack of an entrepreneurial culture, and introducing the possibility of conflicts over investments and their yields, could mean the end to the 3x1 Program.
5. Various international entities, such as the United Nations and the World Bank, currently acknowledge the contributions made by migrants to their countries of origin and their countries of destination, and underscore their potential for supporting economic development. In Mexico, migrants are referred to as heroes for their contributions to the country. There is a need for the Mexican nation-state to acknowledge the transnational nature of Mexican society and the urgent need to establish a new form of governance subordinated to the citizenry and new public policies that in the future will allow millions of Mexicans to exercise their right not to emigrate, i.e., the time when Mexico can offer employment and decent living conditions to its people.

Even Mexican migrants say they will not continue to be treated as automatic teller machines, or on the fringe of charity-oriented social policies. We need explicit public policies that have a direct impact on the root causes of migration: backwardness, poverty, marginalization and unemployment. This implies reorienting the

- current economic model, prioritizing the growth of the domestic market and the country's regional development, and giving attention to migrants and their communities, through a state policy that is comprehensive, coherent, professional and long-term.
6. In light of the great potential for investment by some Mexican migrants in the United States, and the enormous opportunities available to them in the US market, the Ministries of Treasury, Economy, Agriculture and Social Development, and other federal government offices in Mexico should seriously consider the possibility of presenting a catalogue of investment projects and programs that respond to the diverse profiles of the Mexican migrant community: migrants interested in saving, in investing, in creating micro-enterprises, and retired migrants.
  7. In the states of Zacatecas, Jalisco, Michoacan, Guanajuato, Oaxaca, the state of Mexico, Puebla and others, the necessary conditions are in place for advancing in state government policies on migration and development. These policies focus on integrating hometown associations and communities of origin in government planning, the design of different programs, and their implementation and evaluation. This supposes that government administrations and State Congresses overcome attitudes aimed only at taking advantage of resources from migrants as a complement to public spending. It is also necessary to reframe the charity-oriented attitudes prevailing in nearly all the government offices attending to migrants. Instead, migrants should be viewed as a focus of public policies, while promoting new types of programs in pursuit of regional and local development, in which priority is placed on the municipal level and the comprehensive decentralization of public functions, obligations and technical and financial resources. There are valuable experiences of productive projects in cooperation with migrants in the states mentioned above. Not enough value has been placed on these experiences as important reference points for establishing new investment programs with migrants at the state level, and in coordination with efforts and programs carried out at the national level.
  8. To a large extent, the possibility of establishing new government policies on migration and development in Mexico depends on

progress made in democratization and the full exercise of transnational citizenship in economic, social and political terms. To this end, the organization and training of communities of origin and hometown associations should be a central priority for both. Instead of investing more in the 3x1 Program, the Mexican migrant community should identify its central task as increasing its investment in these activities. It is in this type of strategic investment that the confluence of public and private resources could take on a high degree of relevance in a scenario of transnational community empowerment. This will allow communities of origin to become owners of their projects and their own destinies. A similar change can happen in the communities of destination, with the implementation of strategic planning, beginning right now, for the integration of the second generation of Mexicans born in the United States.

The best contribution that hometown associations can make to their communities of origin is to assist them in carrying out their own processes of organization and training, so they can become responsible for their own community development. This means that in the future, they will no longer depend on the initiatives, negotiations and donations from migrants' clubs to resolve their problems. As a result, communities of origin will take on the roles of planning local and regional development and of working in coordination with municipalities, state and federal government offices.

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